State of Tennessee
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
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Nashville, TN 37243

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Date: **February 22, 2018**

To: **HSDA Members**

From: **Melanie M. Hill, Executive Director**

Re: **CONSENT CALENDAR JUSTIFICATION**

Campbell Clinic Surgery Center, Germantown (Shelby County), TN - CN1712-038
The relocation of Campbell Clinic Surgery Center currently located at 1410 Brierbrook Road, Germantown (Shelby County), TN to a new facility to be located at an unaddressed site on the south side of Wolf River Boulevard, 525 feet east of its intersection with Germantown Road, Germantown (Shelby County), TN. If approved, this application will replace the applicant's unimplemented CON (CN1208-040A) which was approved to expand the present facility at its current location from 4 operating rooms and 1 procedure room to 8 operating rooms and 2 procedure rooms. The applicant is owned by Campbell Clinic Surgery Center, LLC. The estimated project cost is $21,485,200.

As permitted by Statute and further explained by Agency Rule later in this memo, I have placed this application on the Consent Calendar based upon my determination that the application appears to meet the established criteria for granting a Certificate of Need.

Need, Economic Feasibility, Health Care that Meets Appropriate Quality Standards and Contribution to the Orderly Development of Health Care appear to have been demonstrated as detailed below. If Agency Members determine the criteria have been met, a member may move to approve the application by adopting the criteria set forth in this justification or develop another motion for approval that addresses each of the criteria required for approval of a Certificate of Need.

If you find one or more of the criteria have not been met, then a motion to deny is in order.

At the time the application entered the review cycle, it was not opposed. If the application is opposed prior to it being heard, it will be moved to the bottom of the regular agenda and the applicant will make a full presentation.

Summary

Campbell Clinic Surgery Center (CCSC) seeks to relocate and replace previously approved but unimplemented certificate of need CN1208-040AEE for an ambulatory surgical treatment center (ASTC) to an adjoining lot approximately 100 feet from its current location. The facility will front a different street and will have a different street address. It proposes the same number of operating rooms (ORs) and procedure rooms (PRs) as it did in the 2012 application- increasing from 4 ORs/1PR to 8 ORs/2PRs- but it will do so in slightly less space, from 33,168 square feet (SF) to 32,000 SF. The project cost will increase from $13,277,258 to $21,485,200. Cost was determined based upon the market value of the leased space rather than actual construction cost.

Rather than expanding the existing surgery center from one to two floors from 12,232 square feet (SF) to 33,168 SF (new construction and renovation) as originally proposed in 2012, the relocation to a newly constructed state of the art medical office building (MOB) housing both the physician practice and the ASTC is the most beneficial and cost effective solution because of the need for additional physician practice space and a better operational design. Constructing a new building to house both would also provide much less disruption to patients and will better utilize physician time. Please refer to pages 3, 6-8, 20-22 and 24-26 of the original application for a detailed explanation by the applicant.

The applicant, Campbell Clinic Surgery Center, LLC, is owned by Campbell Clinic, P.C. (47 physician shareholders) which is owned by Campbell Clinic Holdings, P.C. The facility is limited to performing orthopaedic and pain management procedures on Campbell Clinic patients.

The original certificate of need to establish the facility was granted on October 25, 2000, CN0007-065A. On November 14, 2012, CON CN1208-040 was granted for an expansion on site that would include both new construction and renovation. The project had an expiration date of January 1, 2015. It was extended by 24 months on two occasions—November 19, 2014 and October 26, 2016 due to acquisition of a 2nd surgery center and the master planning process for the Germantown campus. All were unanimous decisions.

Please refer to the application, staff summary, and TDH report for a detailed narrative.

Executive Director Justification -

I recommend approval of CN1712-038 for the relocation of a previously approved but unimplemented certificate of need CN1208-040AEE to adjacent property where a medical office building housing the surgery center can be located. The project will continue to be limited to orthopaedic and pain management procedures and Campbell Clinic physicians.

My recommendation is based upon my belief the general criteria for a Certificate of Need have been met as follows:

Need- Need for the replacement facility was previously demonstrated by the approval of CN1208-040AEE. This relocation better meets the needs of the physician group that owns the surgery center, to which it is limited, provides for a better operational design, better utilizes the campus, and will eliminate service interruptions that would have been required by constructing an addition to an existing building.

Economic Feasibility- The relocated project can be economically accomplished and maintained just as well as the original project. The project will be funded by lease payments from operating capital to owner and lessor, Campbell Clinic, P.C., and a $6.9 million loan from First Tennessee with which it will equip and begin operating the facility. The project is projected to breakeven in its first year of operation. Over 28% of its revenue will come from the Medicare and Medicaid (TennCare) programs.

Health Care that Meets Appropriate Quality Standards- The applicant is licensed and in good standing with the Tennessee Department of Health, is Medicare/Medicaid certified and accredited by the Accreditation Association for Ambulatory Health Care, Inc. The applicant achieved substantial compliance on its last accreditation survey and was found to have corrected life safety code deficiencies on it last inspection by the Tennessee Department of Health.

Contribution to the Orderly Development of Health Care-Orderly development was found to be met in the 2012 application and continues to be met since transfer agreements continue to be in place and surgical capacity will not increase. While a significant delay has occurred since the expansion project was approved, it was done with the Agency's understanding and approval. This replacement facility will better serve the needs of the patients and physicians who utilize it without the disruption of services that would be caused by renovation in place. It will also better serve as training and teaching facility for residents, Fellows, and visiting surgeons.

Statutory Citation -TCA 68-11-1608. Review of applications -- Report

(d) The executive director may establish a date of less than sixty (60) days for reports on applications that are to be considered for a consent or emergency calendar established in accordance with agency rule. Any such rule shall provide that, in order to qualify for the consent calendar, an application must not be opposed by any person with legal standing to oppose and the application must appear to meet the established criteria for the issuance of a certificate of need. If opposition is stated in writing prior to the application being formally considered by the agency, it shall be taken off the consent calendar and placed on the next regular agenda, unless waived by the parties.

Rules of the Health Services and Development Agency-- 0720-10-.04 CONSENT CALENDAR.

(1) Each meeting's agenda will be available for both a consent calendar and a regular calendar.

(2) In order to be placed on the consent calendar, the application must not be opposed by anyone having legal standing to oppose the application, and the executive director must determine that the application appears to meet the established criteria for granting a certificate of need. Public notice of all applications intended to be placed on the consent calendar will be given.

(3) As to all applications which are placed on the consent calendar, the reviewing agency shall file its official report with The Agency within thirty (30) days of the beginning of the applicable review cycle.
(4) If opposition by anyone having legal standing to oppose the application is stated in writing prior to the application being formally considered by The Agency, it will be taken off the consent calendar and placed on the next regular agenda. Any member of The Agency may state opposition to the application being heard on the consent calendar, and if reasonable grounds for such opposition are given, the application will be removed from the consent calendar and placed on the next regular agenda.

(a) For purposes of this rule, the "next regular agenda" means the next regular calendar to be considered at the same meeting.

(5) Any application which remains on the consent calendar will be individually considered and voted upon by The Agency.

Authority: *T.C.A. §§ 4-5-201, et seq., 4-5-202, 68-11-1605, 68-11-1606, 68-11-1608, and 2016 Tenn. Pub. Acts Ch. 1043.* ***Administrative History:*** *Original rule filed August 31, 2005; effective November 14, 2005. Rule was previously numbered 0720-10-.05, but was renumbered 0720-10-.04 with the deletion of the original rule 0720-10-.02 filed October 24, 2017; effective January 22, 2018. Amendments filed October 24, 2017; effective January 22, 2018.*

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HEALTH SERVICES AND DEVELOPMENT AGENCY
FEBRUARY 28, 2018
APPLICATION SUMMARY

NAME OF PROJECT:	Campbell Clinic Surgery Center
PROJECT NUMBER:	CN1712-038
ADDRESS:	Unaddressed site on the south side of Wolf River Boulevard Germantown (Shelby County), TN 38138
LEGAL OWNER:	Campbell Clinic Surgery Center, LLC 1400 South Germantown Road Germantown, (Shelby County), TN 38138
OPERATING ENTITY:	N/A
CONTACT PERSON:	John Wellborn (615) 665-2022
DATE FILED:	December 17, 2017
PROJECT COST:	$21,485,200
FINANCING:	Commercial Loan
PURPOSE FOR FILING:	Relocation and Replacement of an ASTC Limited to Orthopedics and Pain Management

DESCRIPTION:

Campbell Clinic Surgery Center (CCSC), limited to orthopedics and pain management procedures, seeks approval for the relocation and replacement of its current facility currently located at 1410 Brierbrook Road, Germantown (Shelby County) to a new facility in leased space at an unaddressed site on the south side of Wolf River Boulevard (525 feet east of its intersection with Germantown Road), Germantown, TN. A four story medical office building (MOB) will be constructed on land (5 acres) owned by the Campbell Clinic adjacent to the existing surgery center building. The ASTC will be located on the fourth floor of the MOB with three of the four floors dedicated to practice offices. If approved, this project will replace an approved but unimplemented CON (CN1208-040AEE) to expand the

current surgery from four operating rooms and one procedure room to eight operating rooms and two procedure rooms. The eight operating rooms will be used for orthopedic cases and the two procedure rooms will be used for pain management cases. The surgery center will remain as having a closed medical staff, limited to the surgeons of Campbell Clinic, PC.

The applicant has been placed under **CONSENT CALENDAR REVIEW** in accordance with TCA 68-11-1608(d) and Agency Rule 0720-10-.05.

SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

The following apply:

For relocation or replacement of an existing licensed health care institution:

a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

The actual capital cost of the renovation approved in 2012 in CN1208-040A was estimated at $12,700,000. The actual capital cost to implement this proposed project is estimated at $18,877,698 (excluding lease payments). The higher cost is attributed mostly to annual inflation of construction cost since 2012.

A relocation and rebuild will provide the following advantages over renovating at the current location:

- *The relocation approach will avoid service interruptions and workflow obstacles that would have occurred in an extended renovation project.*
- *CCSC's parent company, Campbell Clinic, P.C., will have an existing building that it can renovate for additional offices and space at a much lower cost than construction.*

A new facility would provide the following:

- *Increased separation of non-sterile and sterile OR space.*
- *Centralization of equipment storage.*
- *Flexible use of pre-and post-operative stations that will be used in response to patient needs.*
- *Separation of entering and departing patients.*
- *There will be OR observation areas to enhance the practice's training mission*

It appears that this criterion has been met.

b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

The applicant reports the following:

- Campbell Clinic Surgery Center Historical utilization – 2015-7,048 surgical cases; 2016-6,867 surgical cases; 2017 (annualized)-6,809 surgical cases.
- Projected Surgical case utilization: Year One (2020) - 10,142 surgical cases; Year Two (2021) - 10,561 surgical cases.

It appears that this criterion has been met.

Staff Summary

The following information is a summary of the original application and all supplemental responses. Any staff comments or notes, if applicable, will be in bold italics.

Application Synopsis

Campbell Clinic Surgery Center (CCSC) is seeking approval to relocate and replace an ambulatory surgical treatment center (ASTC) llimited to Orthopedics and Pain Management. The proposed ASTC will consist of 32,000 usable square feet and will increase the number of operating rooms from four to eight, procedure rooms from one to two, and pre-op and post op recovery stations from 15 to 38. The existing surgery center building will be re-purposed into practice related office space.

If approved, the proposed project is expected to open for service in November 2019.

Facility Information

- The rentable square footage of the proposed ASTC is 33,168 square feet while the usable square feet is 32,000 SF. A floor plan drawing is included in Attachment A-6B(2).
- The proposed ASTC will contain eight operating rooms (544-633 SF), 2 procedure rooms (243 SF each), 12 pre-operative and 26 post-operative areas, four private recovery areas, and four nursing stations.
- Support space will include a waiting area, a business/administration area, central sterile processing areas, an observation/physician lounge, a staff lounge, male and female staff locker areas, and patient and staff bathrooms.

History

- In October 2000 Campbell Surgery Center received CON approval (CN0007-065A) for the establishment of an 8,600 square foot ambulatory surgical treatment center.

- In November 2012, Campbell Clinic Surgery Center received CON approval (CN1208-040A) for the expansion of the existing ASTC limited to orthopedics and pain management from four (4) operating rooms (used for orthopedic cases), and one (1) procedure room (used for pain management cases), to eight (8) operating rooms for orthopedic cases and two (2) procedure rooms for pain management cases.
- In November 2014, the Agency approved a 24 month extension of the expiration date of CN1208-040A, to January 1, 2017 due to 1) assessing needs in light of its acquisition of an additional licensed surgery center, and 2) additional design and approval issues pertaining to the MOB in which it was to be located.
- In October 2016, the Agency approved a 24 month extension to January 1, 2019 due to the continued design and approval issues pertaining to the MOB and zoning change and site plan variances.

Note to Agency members: In the proposed application, the applicant indicated a new MOB and campus plan involving Campbell Clinic Surgery Center required a lengthy zoning and site plan review and approval process by the City of Germantown. As a result, the implementation deadline of CN1208-040AE was extended until this application could be filed. The applicant indicates the MOB plan that includes Campbell Clinic Surgery Center has now been approved by the City of Germantown.

Ownership

- Campbell Clinic Surgery Center, LLC is wholly owned by Campbell Clinic, P.C.
- The practice is owned by 47 physician members (42 orthopedists and 5 physiatrists), none of whom owns 5% or more of the professional corporation.

NEED

Project Need

The applicant states a Certificate of Need is being requested for the following reasons:

- This relocation project will replace a similar, but unimplemented surgery center expansion project that received approval in 2012 (CN1208-040AEE).
- The development of a new campus building (the MOB) to co-locate both the CCSC and the majority of practice offices will reduce travel time between buildings and locations.

- The new floor plan is designed such that the pre-and post-operative stations can be "flexed" depending on patient volumes.
- The new design provides more non-sterile space to minimize staff and patient traffic through sterile areas.
- The original plan would not permit centralization of equipment storage; provide two separated entrance and exit areas for patients; and did not provide the capability for Fellows, residents, visiting faculty, surgeons, students and others to observe-real time surgical procedures while communicating with the surgical team.
- The originally approved expansion plan for the CCSC would be too disruptive to the CCSC's operations because it would require a prolonged phased construction projection while cases were being performed.
- The relocation plan will meet the continuing need for additional surgical rooms approved in 2012.

Service Area Demographics

Campbell Clinic Surgery Center's declared primary service area (PSA) includes Fayette, Tipton, and Shelby Counties in Tennessee, and DeSoto County in Mississippi and Crittenden County in Arkansas.

The total population of the Tennessee service area is estimated at 1,326,451 residents in CY 2017 increasing by approximately 3.6% to 1,374,751 residents in CY 2021.

- The overall Tennessee statewide population is projected to grow by 3.2% from 2017 to 2021.
- Residents age 13 and older account for approximately 78.8% of the service area population compared to 77.3% statewide.
- The age 13 and older resident population is expected to increase by 3.6% compared to 3.6% statewide from CY2017 - CY2021.
- The number of residents enrolled in TennCare ranges by county from 15.2% to 26.0% of the total service area population compared to 21% statewide.

Demographic features of Fayette, Shelby, and Tipton Counties County compared to the State of Tennessee are shown in the following table.

Demographic Feature	Fayette	Tipton	Shelby County	Service Area	Tennessee
2017 Population	45,626	68,247	964,804	1,326,451	6,887,572
2021 Population	49,441	72,167	986,423	1,374,751	7,108,031
Median Age	43.7	37.0	34.9	37.2	38.4
Median Household Income	$54,890	$53,669	$46,224	$51,594	$45,219
TennCare Enrollees As a % of Population	15.2%	19.4%	26.0%	20.5%	21.0%
Population Below Poverty level	13.9%	13.6%	21.4%	16.7%	17.6%

Sources: TDH Population Projection Data Files, TennCare Bureau website

- The Desoto County Mississippi population is projected to grow by 9.5% from 198,539 in 2017 to 217,483 in 2021.
- The Crittenden County Arkansas population is projected to remain the same at 49,235 for the years 2017 and 2021.

Historical Service Area Operating and Procedure Room Utilization

Based on the Joint Annual Reports submitted to the Department of Health, there are twelve ASTCs operating in the service area that provide orthopedic and pain management surgery. Their collective utilization trends are displayed in the following table.

Utilization of ASTCs Offering
Orthopedic and Pain Management Surgery in the Primary Service Area

	2014	2015	2016	% chang 14-16
Operating Rooms	44	44	44	0
Cases Per OR	741	844	778	+5.0%
% of 884 Optimal Cases/YR.	83.8%	95.5%	88.0%	+4.2%
Procedure Rooms	13	13	13	0
Cases Per PR	1,059	1,236	1,435	+35.5%
% of 1,867 Optimal Cases/Yr.	56.7%	66.2%	76.9%	+20.2%
Total Cases Performed	46,378	53,210	52,886	+14.0%
Orthopedic and Pain Management Cases Performed	26,762	32,386	34,008	+27.1%
Orthopedic/Pain Management Cases as % of total cases	57.7%	60.9%	64.3%	+6.6%

Source: CN1712-038, Page 31

The above utilization table reflects the following:

- Overall, the three county Tennessee service area experienced a 27.1% increase in Orthopedic and Pain Management surgical cases from 2014 to 2016.
- Orthopedic and Pain Management cases per procedure room increased 35.5% from 1,059 per PR in 2014 to 1,435 per PR in 2016.
- Orthopedic and Pain Management cases per operating room increased 5.0% from 741 per OR in 2014 to 778 per OR in 2016.
- Historic utilization for the years 2014-2016 for ASTCs providing Orthopedic/Pain Management Cases are listed on pages 32 and 33 of the original application.

Applicant's Projected Utilization

The following is Campbell Clinic Surgery Center's historical and projected utilization for the first two years of operation.

Campbell Surgery Center
Historical and Projected Surgical Utilization

	2015	2016	2017 (annualized)	% Change 15-17	Year One 2020	Year Two 2021
Operating Rooms (4) (Orthopedic)	3,658	3,611	3,473	+7.5%	5,144 (6 ORs)	5,453 (6 ORs)
Procedure Rooms (1) (Pain Management)	3,390	3,256	3,336	-18.7%	4,998 (2 PRs)	5,198 (2 PRs)
Total	7,048	6,867	6,809	-7.6%	10,142	10,651

Source: CN1712-038

- Orthopedic OR cases will increase 48% from 3,473 cases in 2017 on 4 ORs to 5,144 cases on 6 ORs in Year One (2020).
- Pain Management PR cases will increase 49.8% from 3,336 cases in 2017 on 1 procedure room to 4,998 cases on 2 procedure rooms in Year One (2020).
- The number of staffed operating rooms will increase from 4 in 2014 to 6 in Year One (2020), and the number of staffed procedure rooms will increase from 1 in 2014 to 2 in Year One (2020). The applicant plans to reach 8 staffed operating rooms in 2023.
- Total surgical volume is expected to reach 10,142 cases in Year One increasing by approximately 5% to 10,651 cases in Year 2.

ECONOMIC FEASIBILITY

Project Cost

Major costs of the $21,485,200 total estimated project cost are as follows:

- Facility Lease Expense -$14,515,200 or 67.6% of the total project cost.
- Fixed and Moveable Equipment-$6,700,000 or approximately 31.2% of the total project cost.
- For other details on Project Cost, see the Project Cost Chart on page 40R of the application.

Financing

- The applicant intends to finance the project 100% through a commercial bank loan from First Tennessee Bank.
- A copy of a letter dated December 6, 2017 from the Senior Vice President of First Tennessee Bank indicates the bank's interest in providing a 5 year, 5.00% interest rate loan in the amount of $6,970,000 to the applicant. The letter is included in Attachment B-Economic Feasibility – 2.

Net Operating Margin Ratio

- The applicant projects a net operating margin ratio for the total facility of 0.26% in Year 1 and 0.27% in Year 2.

Note to Agency Members: The net operating margin demonstrates how much revenue is left over after all the variable or operating costs have been paid.

Capitalization Ratio

- Review of Campbell Clinic Surgery Center's unaudited financial statements ending November 30, 2017 reveals a capitalization ratio of 5.56%.

Note to Agency Members: The capitalization ratio measures the proportion of debt financing in a business's permanent financing mix.

Historical Data Chart

The applicant provided a Historical Data Chart for Campbell Surgery Center.

- The Chart reported Free Cash Flow (Net Balance + Depreciation) of $2,155,066 in Year 2015, $2,731,580 in Year 2016, and $3,137,249 in Year 2017 (annualized).

Projected Data Chart

The applicant projects $101,904,284 in total gross revenue on 10,142 surgical cases during the first year of operation and $112,098,274 on 10,651 surgical cases in Year Two (approximately $10,525 per case). The Projected Data Chart reflects the following:

- Net Balance (Net operating income - (Annual Principal Debt Repayment + Annual Capital Expenditure) for the applicant is projected to be $5,176,921 in Year One increasing to $5,328,739 in Year Two.
- Net operating revenue after bad debt and contractual adjustments is expected to reach $28,024,559 or approximately 25% of total gross revenue in Year Two.
- There is no provision for charity care in Year 1 or Year 2.

Charges

In Year One of the proposed project, the average charge per surgical case is as follows:

Average Gross Charge
- $10,048

Average Deduction from Operating Revenue
- $7,536

Average Net Charge
- $2,512

Medicare/TennCare Payor Mix

- Campbell Clinic Surgery Center participates in the Medicare and TennCare programs. Campbell Clinic Surgery Center contracts with the following TennCare MCOs: AmeriGroup, BlueCare, United Healthcare Community Plan, and TennCare Select.

The applicant's projected payor mix for Year 1 (2020) is as follows:

Payor Source	Gross Revenue	% Gross Revenue
Medicare/Medicare Managed Care	$17,548,406	17.2%
TennCare/Medicaid	$11,229,644	11%
Commercial/Other Managed Care	$68,274,107	67%
Self-Pay	$180,582	0.18%
Charity	$0	0%
Other	$4,671,545	4.6%
TOTAL	$101,904,284	100.0%

Source: CN1712-038

- TennCare/Medicaid-2020 projected revenue is $11,229,644 representing 11% of total revenue in Year 1.
- Medicare is projected to generate $17,548,406 in gross revenue representing 17.2% of total revenue in Year 1.
- Managed Care/Commercial combined is projected to total $68,274,107 or 67% of total revenue.

PROVIDE HEALTHCARE THAT MEETS APPROPRIATE QUALITY STANDARDS

Licensure

- The applicant is licensed by the Tennessee Department of Health as an ASTC limited to orthopedics and pain management.
- A copy of the most recent Department of Health survey dated September 26, 2016 is included in the original application.

Certification

- The applicant is Medicare and Medicaid certified.

Accreditation

- The applicant is accredited by the Accreditation Association for Ambulatory Health Care, Inc.

Other Quality Standards

- In the first supplemental response the applicant commits to obtaining and/or maintaining the following:
  - Staffing levels
  - Licenses in good standing
  - Medicare TennCare/Medicaid certification
  - Self-assessment and external peer assessment processes
  - Maintaining the medical staff and ancillary support staff

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE

Agreements

- The applicant has an emergency transfer agreement with Methodist LeBonheur Germantown Hospital (Shelby County).
- Methodist LeBonheur Germantown Hospital is located 1.8 miles from the applicant.

Impact on Existing Providers

- The applicant expects that the proposed project will not impact other providers since case projections do not contemplate moving surgeries from other provider's facilities.

Staffing

The applicant's proposed clinical staffing in Year One includes the following:

Position Type	Existing FTEs	Year One FTEs
Registered Nurses	22.0	44.0
Certified Surgical Technologist	5.0	10.0
Certified Nurse's Assistant/Transportation Aide	0	2.0
Total	**27**	**56.00**

Source: CN1712-038

Corporate documentation and real estate lease are on file at the Agency office and will be available at the Agency meeting.

Should the Agency vote to approve this project, the CON would expire in two years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:

There are no other Letters of Intent, pending applications, denied applications, or outstanding Certificates of Need for this applicant.

Outstanding Certificates of Need

Campbell Clinic Surgery Center, CN1208-040AEE, has an outstanding Certificate of Need that will expire on January 1, 2019. The CON was approved at the November 14, 2012 Agency meeting for expansion of the existing ASTC limited to orthopedics and pain management from four (4) operating rooms, used for orthopedic cases, and one (1) procedure room, used for pain management cases to eight (8) operating rooms for orthopedic cases and two (2) procedure rooms for pain management cases. Two of the operating rooms will initially be shelled-in. The surgery center will remain as having a closed medical staff, limited to the surgeons of Campbell Clinic, PC. The estimated total project cost is **$13,277,258. Note: The original expiration date was January 1, 2015. The Agency approved a 24 month extension at is November 19, 2014 meeting. The Agency approved an additional 24 month extension at its October 26, 2016 meeting.** *Project Status: On August 1, 2017 the applicant reported the Board of Directors had appointed a building committee to contract with a developer and architectural firm and the contract was expected shortly.* ***Note to Agency members: If the proposed project (CN1712-038) is approved, then CN1712-038 will replace CN1208-040AEE.***

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, denied or pending applications for similar service area entities proposing this type of service.

Outstanding Certificates of Need

Horizon Surgery Center, CN1705-014A, has an outstanding Certificate of Need that will expire on October 1, 2019. The CON was approved at the August 23, 2017 Agency meeting for the establishment a single specialty ambulatory surgical treatment center (ASTC) limited to endoscopy located at 340 Atoka McLaughlin Drive, Suite B, Atoka (Tipton County), TN 38004. The project will include one procedure room built to operating room standards. The estimated total project cost is **$1,108,764**. **Project Status**: *This project was recently approved.*

UCH Vascular Access ASC, CN1704-013A, has an outstanding Certificate of need that will expire on October 1, 2019. The CON was approved at the August 23, 2017 Agency meeting for the establishment of a single-specialty ambulatory surgical

treatment center (ASTC) located at 6490 Mt. Moriah Road Extended, Suite 202, Memphis (Shelby County), TN 38115. The ASTC will include one operating room and one procedure room and will be limited to surgeries and procedures related to vascular access and other hemodialysis oriented procedures. The estimated total project cost is **$2,144,000. Project Status:** *This project was recently approved.*

Bartlett ASC, LLC, CN1605-020A, has an outstanding Certificate of Need that will expire on December 1, 2018. The CON was approved at the October 26, 2016 Agency meeting for the establishment of a multi-specialty ambulatory surgical treatment center (ASTC). The ASTC will be located at 0 Kate Bond Boulevard in Bartlett, Shelby County. The facility will contain 2 operating rooms and 1 procedure room. The applicant initially expects to provide orthopedic and spinal cases, and pain management cases. The estimated total project cost is **$7,166,088.00.** *Project Status: On August 1, 2017 the applicant reported final construction drawings were in production and were expected to be completed and signed by the end of September. Construction is expected to begin in December with a completion date in August 2018.*

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, HEALTH CARE THAT MEETS APPROPRIATE QUALITY STANDARDS, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PME
2/12/2018

LETTER OF INTENT

LETTER OF INTENT -- HEALTH SERVICES & DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Commercial Appeal, which is a newspaper of general circulation in Shelby County, Tennessee, on or before December 10, 2017, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. Sections 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Campbell Clinic Surgery Center (an ambulatory surgical treatment center), owned and managed by Campbell Clinic Surgery Center, LLC (a limited liability company), intends to file an application for a Certificate of Need to replace its facility currently located at 1410 Brierbrook Road, Germantown, TN 38138, with a new facility in leased space at an unaddressed site on the south side of Wolf River Boulevard, 525 feet east of its intersection with Germantown Road. The project cost is estimated at $21,486,000.

The project is to replace the applicant's unimplemented CN1208-040A, which was granted to expand the present facility at its current location, from 4 operating rooms and 1 procedure room, to 8 operating rooms and 2 procedure rooms. This replacement project will site the approved surgical capacity at a new location on an adjoining lot that fronts Wolf River Boulevard. The project does not include major medical equipment, additional health services, changes in scope of service, or changes in ownership.

The facility is licensed by the Board for Licensing Health Care Facilities as an ambulatory surgical treatment center. Its services are limited to orthopedics and pain management.

The anticipated date of filing the application is on or before December 15, 2017. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 210, Nashville, TN 37215; (615) 665-2022.

John L Wellborn 12-7-17 jwdsg@comcast.net

(Signature) (Date) (E-mail Address)

Original Application

(Copy)

Campbell Clinic Surgery Center

CN1711-038

DSG Development Support Group

December 13, 2017

Melanie Hill, Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: CON Application Submittal
Change of Site for CN 1208-040, Campbell Clinic Surgery Center
Germantown, Shelby County

Dear Mrs. Hill:

This letter transmits an original and two copies of the subject application. The affidavit and filing fee are enclosed.

The applicant requests consent calendar review.

I am the contact person for this project. Brant Phillips is legal counsel. Please advise me of any additional information you may need. We look forward to working with the Agency on this project.

Respectfully,

John Wellborn

John Wellborn
Consultant

4219 Hillsboro Road, Suite 203
Nashville, TN 37215
jwdsg@comcast.net
Tel 615.665.2022
Fax 615.665.2042

CAMPBELL CLINIC SURGERY CENTER

CERTIFICATE OF NEED APPLICATION FOR A CHANGE OF SITE FOR APPROVED APPLICATION CN1208-040A

MEMPHIS, SHELBY COUNTY

Filed December 2017

CERTIFICATE OF NEED APPLICATION

SECTION A: APPLICANT PROFILE

1. Name of Facility, Agency, or Institution

Campbell Clinic Surgery Center	
Name	
Unaddressed site on the south side of Wolf River Boulevard, 525 feet east of its intersection with Germantown Road.	Shelby
Street or Route	*County*

Germantown	TN	38138
City	*State*	*Zip Code*

www.campbellclinic.com
Website Address

2. Contact Person Available for Responses to Questions

John Wellborn	Consultant
Name	*Title*
Development Support Group	jwdsg@comcast.net
Company Name	*E-Mail Address*

4219 Hillsboro Road, Suite 210	Nashville	TN	37215
Street or Route	*City*	*State*	*Zip Code*

CON Consultant	615-665-2022	615-665-2042
Association With Owner	*Phone Number*	*Fax Number*

NOTE: **Section A** is intended to give the applicant an opportunity to describe the project. **Section B** addresses how the project relates to the criteria for a Certificate of Need by addressing: Need, Economic Feasibility, Contribution to the Orderly Development of Health Care, and Quality Measures. Please answer all questions on 8.5" X 11" white paper, clearly typed and spaced, single-sided, in order and sequentially numbered. In answering, please type the question and the response. All questions must be answered. If an item does not apply, please indicate "N/A" (not applicable). Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment, i.e., Attachment A.1, A.2, etc. The last page of the application should be a completed and signed notarized affidavit.

3. EXECUTIVE SUMMARY

A. Overview--Please provide an overview not to exceed three pages in total, explaining each numbered point.

(1) Description (Address the establishment of a health care institution, initiation of health services, bed complement changes, and/or how this project relates to any other outstanding but unimplemented certificates of need held by the applicant.)

The applicant, Campbell Clinic Surgery Center ("CCSC"), is the private practice ambulatory surgery center of the Campbell Clinic. The Surgery Center is located at 1410 Brierbrook Road in Germantown, Shelby County, on property of the Campbell Clinic, adjacent to the Clinic's office building. The facility's scope is limited to the practice's orthopaedic and pain management cases.

In November, 2012, the Campbell Clinic Surgery Center was granted CN1208-040 to expand from four operating rooms and one procedure room to eight operating rooms and two procedure rooms. This would increase the size of the CCSC from 12,232 SF to 33,168 SF.

In the year after the CON was granted, the practice's planning program for its entire campus (physician offices, diagnostic and ancillary services, and Surgery Center together) concluded that near- and long-term physician recruitment would require significantly more office space, at the same time that the surgery center's capacity and other issues needed to be addressed.

It was determined that (a) a new and larger medical office building should be developed on the campus, to house both the majority of practice physicians and the Surgery Center, and that (b) the Surgery Center building should be re-purposed into practice-related office space. A new MOB and campus plan would require a lengthy zoning and site plan review and approval process with the City of Germantown, during which time CN1208-040 would have to be delayed and extended. The HSDA Board has supported the practice in this plan by extending the implementation deadline of CN1208-040 until this current application could be filed. The MOB plan has now been approved by the City of Germantown. The plan provides for construction of a four-story MOB on with an address on Wolf River Boulevard, Germantown, TN 38138, on land owned by the Campbell Clinic, adjacent to the existing surgery center building.

This change of site CON application requests approval to relocate the CCSC to the fourth floor of the new MOB, with no change in the surgical rooms already approved by the HSDA in November 2012: eight (8) operating rooms and two (2) procedure rooms, with two (2) of the 8 OR's not made operational until needed. Below is a comparison of this project to the CON granted in 2012.

Table Section A-3A(1): Proposed Changes in Clinical Areas			
Type of Space	Currently	CN1208-040A	This Project
Nursing Stations	1	3	4
Pre-Op / Post-Op Recovery Stations	15	37	12 / 26
Operating Rooms--(Class C)	4 (400 SF ea)	8 (400 SF ea)	8 (544-633 SF)
Procedure Rooms (Class A)	1 (200 SF ea)	2 (200 SF ea)	2 (243 SF ea)
Physician Consulting Rooms	1	2	2
Total Square Feet of Facility (Usable)	12,232 SF	33,168 SF	32,000 SF

The CCSC is open from 5 AM to 7 PM weekdays, and schedules surgical case start times without interruption from 7 AM to 3 PM. No change in hours of operation is proposed. If approved in February of CY2018, this project will be completed late in CY2019. Its first full calendar year of operation will be CY2020.

(2) Ownership Structure

The ASTC licensee and CON applicant is Campbell Clinic Surgery Center, LLC, which is wholly owned by the Campbell Clinic, P.C.. The Campbell Clinic, P.C. currently is owned by 47 physician shareholders, none of whom owns 5% or more of the professional corporation. The Clinic P.C. is comprised of 42 orthopaedists and 5 physiatrists.

The Campbell Clinic has been a State, national and international leader in orthopaedics since 1910. The Clinic established both the Department of Orthopaedic Surgery and the Orthopaedic Residency program at UT College of Medicine at Memphis, and all Campbell Clinic surgeons hold faculty appointments in the University of Tennessee-Campbell Clinic Department of Orthopaedic Surgery and work closely with UT research programs.

(3) Service area

The CCSC is a private practice surgical facility restricted to patients of the Campbell Clinic, so the two organizations have identical service areas. In 2016, the CCSC served patients from more than a hundred counties in Tennessee, Mississippi, Arkansas and other States. Its primary service area consisted of Shelby, Tipton and Fayette Counties in Tennessee; DeSoto County in adjoining Mississippi; and Crittenden County in adjoining Arkansas. These five counties together contributed 80.4% of total referrals. No other counties contributed 1.5% or more of total referrals. This primary service area has remained consistent for years and is not projected to change in the near future.

(4) Existing similar service providers

In the project's primary service area, there are twelve ambulatory surgery centers that report performing orthopaedic and/or pain management cases.

(5) Project cost

The estimated project cost as calculated under CON rules is $21,485,200, which includes the market value of the leased space. The Surgery Center will lease finished (built-to-suit) surgery center space in the new MOB.

(6) Funding

The capital cost of implementing both the MOB and the ASC relocation can be fully financed by loan funding from First Tennessee Bank, as projected in the prior CON application.

(7) Financial feasibility, including when the proposal will realize a positive financial margin; and

The CCSC currently operates with a positive margin. It is projected to continue to do so after relocation to the new MOB.

(8) Staffing

In its first year of operation, the CCSC will require the addition of 32 new FTE's, of which 27 will be clinical, including 22 RN's and 5 surgical technologists.

B. Rationale for Approval

A certificate of need can only be granted when a project is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of adequate and effective health care in the service area. This section should provide rationale for each criterion using the data and information points provided in Section B of this application. Please summarize, in one page or less, each of the criteria.

(1) Need

This relocation project will replace a similar, but unimplemented, surgery center expansion project that received CON approval in 2012. The need for additional surgical room capacity is still strong, and based on industry experts, is expected to grow at increasing rates over the next decade and beyond. The proposed surgery center relocation is a significant improvement over the expansion plan, in terms of the surgery center operation itself, and also in terms of the Campbell Clinic's best use of its entire campus. For example:

a. The development of a new campus building (the MOB) to co-locate both the CCSC and the majority of practice offices will reduce physician travel time between buildings and locations. Three of the four MOB floors will be dedicated to practice offices and to surgery.

b. The new floor plan is designed such that the pre- and post-operative stations can be "flexed" depending on patient volumes during the course of the day. For example, in the mornings when there are more patients arriving than recovering, it will be easier to use more stations for pre-op; and later in the day if there are relatively more patients recovering, more stations can be staffed for post-op recovery. In addition, this design provides four private hard-walled rooms for joint replacement cases needing 5-6 hours recovery time. This will free up other stations for shorter-recovery patients and avoid bottlenecks in the OR due to lack of a recovery bed when needed.

c. The new design provides more non-sterile space to minimize staff and patient traffic through sterile areas. This will ensure that the Surgery Center's very low cross-infection rates continue to remain as low as possible.

d. The expansion plan, which focused on adding surgical rooms and PACU stations around the outside of the current structure, was not able to address several other operational needs of the CCSC. The original plan would not permit centralization of equipment storage; it would not provide two separated entrance and exit areas for patients; and it would not provide the capability for Fellows, residents, visiting faculty, surgeons, students and others to observe real-time surgical procedures while communicating with the surgical team. The new design does provide those benefits, with the design of the operating rooms.

e. The Clinic has determined that its originally approved expansion plan for the CCSC would be too disruptive to the CCSC's operations because it would require a prolonged phased construction projection while cases were being performed.

f. The relocation plan will meet the continuing need for the additional surgical rooms approved in 2012. The CCSC's four operating rooms are now utilized at 105.6% of available minutes in an 8-hour workday, and at 98.2% of the State Health Plan's optimal utilization target for operating rooms. The current procedure room is utilized at 178.7% of the State Plan's case target, and at 75.1% of the available minutes.

g. The relocation project proposes the same surgical room complements that were approved in the 2012 CON application, because there is a continued need for them. Future increase in cases from the Campbell Clinic, and relocation of cases from the Midtown surgery center, will ensure that the relocated facility's Year Two operating room utilization in six rooms will be 123.4% of available minutes in an 8-hour workday, and at 102.8% of the State Health Plan's optimal utilization target for operating rooms. The two procedure rooms will be utilized at 205.1% of the State Health Plan optimal case guideline, and at 58.5% of available minutes. For the latter, however, this will still be more minutes than are available in just one procedure room.

In Year Six, with eight operating rooms in use, the OR suite will be at 95.5% of the State Health Plan's optimal case utilization standard and will use 114.7% of surgical minutes available in an 8-hour day.

(2) Economic Feasibility

This is an existing surgery center with strong positive cash flow and earnings. Its relocation to a larger setting with additional surgical capacity will allow it to continue to increase its caseloads and to strengthen its financial feasibility. The Projected Data Chart of the applicant documents this.

(3) Appropriate Quality Standards

The CCSC is licensed and is fully accredited. It maintains a strong quality assurance program and serves as a teaching and training facility for orthopaedic physicians, including residents, Fellows, and visiting surgeons from across the country. The project will enhance the ability of the facility to perform that role.

(4) Orderly Development of Adequate and Effective Health Care

The project complies with guidelines set forth in the State Health Plan, for expansion and relocation of an ambulatory surgical treatment center.

The project received approval of its scope in 2012, as an expansion of the applicant's surgery center at its current location. This initial plan has proven to be less desirable than a relocation into a new building.

This relocation proposal does not change the applicant's ownership and does not change its prior approved surgical room capacity.

The current application provides approximately the same total floor space as in the prior expansion plan.

The current application is not a significant change in location, being on a lot adjoining the facility's existing building. The replacement facility will be in a building located less than 100 feet from the existing ASTC, although the replacement facility fronts a different street and will have a different street address.

C. Consent Calendar Justification

If consent calendar is requested, please provide the rationale for an expedited review. A request for Consent Calendar must be in the form of a written communication to the Agency's Executive Director at the time the application is filed.

The applicant is requesting expedited Consent Calendar review. The justification is:

1. The project's scope of service (private practice ASTC; orthopaedic and pain management cases only) and its proposed complement of surgical rooms (8 operating rooms; 2 procedure rooms) are identical to the project approved under CN1208-040A, which this project will replace. The only changes from the prior approved project are (a) a different street address, (b) a different proposed floor plan conforming to an entire floor of leased space in a four-floor MOB, and (c) a different project cost.

2. The change in project street address is not a significant change of location in terms of patient accessibility or service area. The proposed MOB site adjoins the premises of the existing surgery center building. On the MOB site, parking will be developed fronting Wolf River Boulevard; the MOB structure will be at the back of the site within 100 feet of the existing surgery center building.

3. The ownership of the applicant and the project are unchanged. The applicant Campbell Clinic Surgery Center, LLC is still 100% owned by the Campbell Clinic, P.C. The Campbell Clinic owns both the project site, and the existing surgery center building.

SECTION A (CONTINUED): PROJECT DETAILS

4.A. Owner of the Facility, Agency, or Institution

Campbell Clinic Surgery Center, LLC		901-759-3101
Name		*Phone Number*

1400 South Germantown Road		Shelby
Street or Route		*County*

Germantown	TN	38138
City	*State*	*Zip Code*

B. Type of Ownership or Control (Check One)

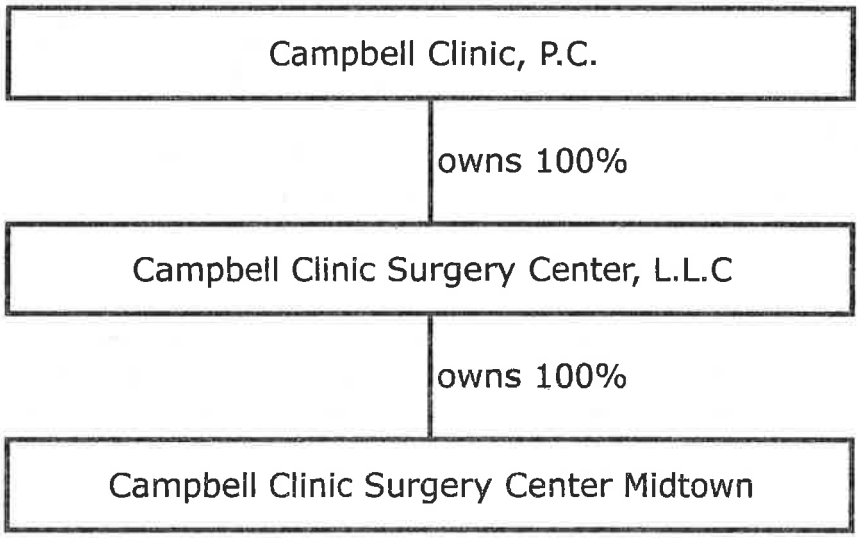
A. Sole Proprietorship		F. Government (State of TN or Political Subdivision)	
B. Partnership		G. Joint Venture	
C. Limited Partnership		H. Limited Liability Company	x
D. Corporation (For-Profit)		I. Other (Specify):	
E. Corporation (Not-for-Profit)			

Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence. Please provide documentation of the active status of the entity from the TN Secretary of State's website hpps://tnbear.tn.gov/Ecommerce/FilingSearch.aspx.

See Attachment Section A-4A.

Describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% ownership (direct or indirect) interest.

The applicant is Campbell Clinic Surgery Center, LLC, which owns the licensed operation and leases its building from the Campbell Clinic, P.C. All of LLC's membership interests are owned by the practice, Campbell Clinic, P.C. The practice is currently owned by 47 physicians, none of whom owns 5% or more of it. The organization chart for these entities is on the following page.


Campbell Clinic, P.C.
owns 100%
Campbell Clinic Surgery Center, L.L.C
owns 100%
Campbell Clinic Surgery Center Midtown

5A. Name of Management/Operating Entity (If Applicable)

Not applicable; the applicant surgery center is self-managed.

Name

Street or Route *County*

City *State* *Zip Code*

Website Address

For new facilities or existing facilities without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract.

Not applicable.

6A. Legal Interest in the Site of the Institution (Check One)

A. Ownership		D. Option to Lease	x
B. Option to Purchase		E. Other (Specify):	
C. Lease of ___ Years			

Check appropriate line above: For applicants or applicant's parent company/owner that currently own the building/land for the project location, attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements must include anticipated purchase price. Lease/Option to Lease Agreements must include the actual/anticipated term of the agreement and actual/anticipated lease expense. The legal interests described herein must be valid on the date of the Agency's consideration of the certificate of need application.

See Attachment Section A-6A.

6B. Attach a copy of the site's plot plan, floor plan, and if applicable, public transportation route to and from the site, on an 8.5" X 11 sheet of white paper, single-sided. Do not submit blueprints. Simple line drawings should be submitted and need not be drawn to scale.

(1) Plot Plan must include:

a. Size of site (in acres);
b. Location of structure on the site;
c. Location of the proposed construction/renovation; and
d. Names of streets, roads, or highways that cross or border the site.

See Attachment Section A-6B-1.

(2) Attach a floor plan drawing for the facility, which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. On an 8.5" X 11" sheet of paper or as many as necessary to illustrate the floor plan.

See Attachment Section A-6B-2.

(3) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

The CCSC is located at 1410 Brierbrook Road in Germantown, 600 feet east of Brierbrook Road's intersection with South Germantown Road. This application is for relocation of the facility to an adjacent vacant parcel that has not yet been assigned a street address. The site is on the south side of Wolf River Boulevard, approximately 525 feet east of its intersection with Germantown Road. The southern boundary of the vacant parcel is the northern boundary of the parcel currently occupied by the CCSC.

The new project site is approximately 4 miles east of the I-40 / I-240 loop interstate corridor circling Memphis, and only 6 minutes' drive (2.1 miles) north of Methodist LeBonheur Germantown Hospital. This provides good drive time accessibility to patients coming from major communities of the service area, as illustrated by Table A-6B-(3) below. Most of the listed drive times are within thirty minutes' drive; all are within one hour.

Table A-6B-(3): Mileage and Drive Times Between The Project and Major Communities in the Primary Service Area

	County or State	Distance	Drive Time
1. Memphis (downtown Riverfront)	Shelby	19.8 mi.	25 min.
2. Millington	Shelby	20.8 mi.	31 min.
3. Bartlett	Shelby	11.7 mi.	19 min.
4. Collierville	Shelby	10.3 mi.	21 min.
5. Germantown (center)	Shelby	1.9 mi.	5 min.
6. Covington	Tipton	43.2 mi.	59 min.
7. Somerville	Fayette	31.6 mi.	43 min.
8. Hernando	DeSoto, MS	34.4 mi.	40 min.
9. Horn Lake	DeSoto, MS	26.1 mi.	34 min.
10. Southaven	DeSoto, MS	21.6 mi.	27 min.
10. West Memphis	Crittenden, AR	28.9 mi.	35 min.
11. Marion	Crittenden, AR	30.5 mi.	37 min.

Source: Google Maps, November 2017.

7. Type of Institution (Check as appropriate—more than 1 may apply)

A. Hospital (Specify):		H. Nursing Home	
B. Ambulatory Surgical Treatment Center (ASTC) Multi-Specialty	x	I. Outpatient Diagnostic Center	
C. ASTC, Single Specialty		J. Rehabilitation Facility	
D. Home Health Agency		K. Residential Hospice	
E. Hospice		L. Non-Residential Substitution-Based Treatment Center for Opiate Addiction	
F. Mental Health Hospital		M. Other (Specify):	
G. Intellectual Disability Institutional Habilitation Facility ICFF/IID			

8. Purpose of Review (Check as appropriate—more than 1 may apply)

A. New Institution		F. Change in Bed Complement *Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation*	
B. Modifying an ASTC with limitation still required per CON		G. Satellite Emergency Department	
C. Addition of MRI Unit		H. Change of Location	x
D. Pediatric MRI		I. Other (Specify):	
E. Initiation of Health Care Service as defined in TCA Sec 68-11-1607(4) (Specify)			

9. Medicaid/TennCare, Medicare Participation

MCO Contracts (Check all that apply:
__x__Amerigroup __x__United Healthcare Community Plan ___x__BlueCare __x__TennCare Select
Medicare Provider Number: 3288698
Medicaid Provider Number: 1511834
Certification Type: Ambulatory Surgical Treatment Center
If a new facility, will certification be sought for Medicare or for Medicaid/TennCare?
Medicare Yes__ No__ N/A__
Medicaid/TennCare Yes__ No__ N/A__

10. Bed Complement Data

Not Applicable.

A. Please indicate current and proposed distribution and certification of facility beds.)

	Beds Currently Licensed	Beds Staffed	Beds Proposed	*Beds Approved	**Beds Exempt	TOTAL Beds at Completion
1. Medical						
2. Surgical						
3. ICU/CCU						
4. Obstetrical						
5. NICU						
6. Pediatric						
7. Adult Psychiatric						
8. Geriatric Psychiatric						
9. Child/Adolescent Psychiatric						
10. Rehabilitation						
11. Adult Chemical Dependency						
12. Child/Adolescent Chemical Dependency						
13. Long-Term Care Hospital						
14. Swing Beds						
15. Nursing Home SNF (Medicare Only)						
16. Nursing Home NF (Medicaid Only)						
17. Nursing Home SNF/NF (dually certified MCare/Maid)						
18. Nursing Home-Licensed (Noncertified)						
19. ICF/IID						
20. Residential Hospice						
TOTAL						

** Beds approved but not yet in service* *** Beds exempted under 10%/3 yrs provision*

B. Describe the reasons for change in bed allocations and describe the impact the bed changes will have on the applicant facility's existing services.

Not applicable.

C. Please identify all the applicant's outstanding Certificate of Need projects that have a licensed bed change component. If applicable, complete the chart below.

Not applicable.

11. Home Health Care Organizations – Home Health Agency, Hospice Agency (excluding Residential Hospice), identify the following by checking all that apply:

Not applicable.

12. Square Footage and Cost Per Square Footage Chart--Stonecrest Surgery Center

Unit/Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage		
					Renovated	New	Total
Ambulatory Surgery Center	NA	NA	NA	NA	0	32,000	32,000
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
							0
Unit/Dept GSF Subtotal		0			0	32,000	32,000
Other GSF Subtotal					0	0	0
Total GSF		0			0	32,000	32,000
Total Cost*					$0.00	$13,940,000.00	$13,940,000.00
**Cost Per Square Foot							**$435.63**
Cost per Square Foot is Within Which Range?					___ Below 1st Quartile	___ Below 1st Quartile	___ Below 1st Quartile
					___ Between 1st and 2nd Quartile	___ Between 1st and 2nd Quartile	___ Between 1st and 2nd Quartile
(For quartile ranges, please refer to the Applicant's Toolbox on www.tn.gov/hsda)					___ Between 2nd and 3rd Quartile	___ Between 2nd and 3rd Quartile	___ Between 2nd and 3rd Quartile
Response: The HSDA Toolbox has no current or recent data on ASTC costs PSF by quartile.					___ Above 3rd Quartile	___ Above 3rd Quartile	___ Above 3rd Quartile

** The Total Construction Cost should equal the Construction Cost reported on line A5 of the Project Cost Chart.*

*** Cost per Square Foot is the construction cost divided by the square feet. Please do not include contingency costs.*

ARCHITECT SHOULD ENTER COST PSF ONLY FOR NEW AND RENOVATED COLUMNS; THE TOTAL COST PSF COLUMN CALCULATES AUTOMATICALLY.

13. MRI, PET, and/or LINEAR ACCELERATOR

Describe the acquisition of any Magnetic Resonance Imaging (MRI) scanner that is adding an MRI scanner in counties with population less than 250,000, or is initiating pediatric MRI in counties with population greater than 250,000, and/or describe the acquisition of any Positron Emission Tomography (PET) unit or Linear Accelerator unit if initiating the service by responding to the following:

A. Complete the Chart below for acquired equipment.

Not applicable.

LINEAR ACCELERATOR	
Mev:	Total Cost*: $
Types: (indicate one)	By Purchase? __
__ SRS	By Lease? __
__ IMRT	
__ IGRT	Expected Useful Life (yrs): __
__ Other :	New? __
	Refurbished? __
	If not new, how old (Yrs)? __

MRI	
Tesla:	Total Cost*: $
Magnet: (indicate one)	By Purchase? __
__ Breast	By Lease? __
__ Extremity?	
__ Open?	Expected Useful Life (yrs): __
__ Short Bore?	New? __
__ Other -- _____	Refurbished? __
	If not new, how old (Yrs)? __

PET	
PET Only? __	Total Cost*: $
	By Purchase? __
PET/CT? __	By Lease? __
PET/MRI? __	Expected Useful Life (yrs): __
	New? __
	Refurbished? __
	If not new, how old (Yrs)? __

**As defined by Agency Rule 0720-9-.01(13)*

B. In the case of equipment purchase, include a quote and/or proposal from an equipment vendor. In the case of equipment lease, provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments along with the fair market value of the equipment.

Not applicable. No major medical equipment is included in the project.

C. Compare the lease cost of the equipment to its fair market value. Note: Per Agency rule, the higher cost must be identified in the project cost chart.

Not applicable.

D. Schedule of Operations:

Not applicable.

Location	Days of Operation (Sun-Sat)	Hours of Operation
Fixed Site (Applicant)		
Mobile Locations		
Applicant		
Name of other location		
Name of other location		

E. Identify the clinical applications to be provided, that apply to the project.

Not applicable.

F. If the equipment has been approved by the FDA within the past five years, provide documentation of the same.

Not applicable.

SECTION B: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with T.C.A. § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of health care." Further standards for guidance are provided in the State Health Plan developed pursuant to T.C.A. § 68-11-1625.

The following questions are listed according to the four criteria: (1) Need, (2) Economic Feasibility, (3) Applicable Quality Standards, and (4) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2" x 11" white paper, single-sided.* All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer, unless specified otherwise. ***If a question does not apply to your project, indicate "Not Applicable (NA)."***

APPLICANT'S ANALYSIS OF THE NEED FOR THE PROJECT

There are two aspects to the need for this project. The first is the need to relocate the facility, rather than to expand its current building, as originally approved in CN2012-040. The second is the continuing need for the addition of the surgical room capacity that was approved in that prior unimplemented expansion CON.

A. The Need to Relocate

In November, 2012, The CCSC was granted CN1208-040 to expand its surgical room complements and associated support space at its current building.

In the year after the CON was granted, the Campbell Clinic--the physician practice that owns the Surgery Center-- made several determinations.

First--based on a comprehensive strategic planning process, one component of which focused on short-term and long-term industry trends and physician manpower--the Clinic determined that its projected increase in physician staff will require significant additional practice-related office space on its campus in the near future. It was determined that this can be best accomplished by developing a large new medical office building ("MOB") on its campus, where the majority of current and newly recruited practice physicians can be located. It was also recognized that if the CCSC can be moved to into that MOB, it will provide multiple advantages and efficiencies--and will free up the existing CCSC building for some additional practice offices and/or support staff.

Second, alternative architectural planning for the CCSC indicated that the expansion project approved in 2012 could not address some of its operational needs--but that a completely new design in the MOB will address those needs. Equipment storage will be centralized and enlarged. Observation capability (windows into the OR from non-sterile viewing rooms with communication to the OR) will be added to the OR suites to enhance the Clinic's education and training programs. Non-sterile space for staff and patient traffic will be provided to reduce cross-infection risk for the patients. Patients will have separate entrance and exit areas. Patient interviewing stations will give patients more privacy for discussing financial and medical matters.

Third, the practice concluded that the expansion plan would require some service interruptions at the CCSC during an extended phased construction program. This condition would be detrimental to the mission of the practice and to financial performance of the CCSC.

Fourth, this replacement proposal is needed for the practice to best utilize its entire 15-acre campus, maximizing its medical facilities and associated parking. If the existing CCSC building were to be expanded in accordance with the initial CON CN1208-040A, this would have utilized valuable land as part of the (expanded) building footprint, and in so doing, limited the buildable square footage on the entire campus, due to the impact of City of Germantown requirements for lot coverage, green space, setbacks, and parking ratios. The relocation option permits the entire campus to maximize buildable square footage and parking, while also providing optimized shared parking and through traffic across all three parcels.

The renovation/expansion plan called for an additional building footprint of approximately 21,000 sf, and would require a minimum of 86,000 SF (~ 2 acres) of land, after taking into account lot coverage ratios, pervious (green space) requirements, building setbacks, sidewalks, parking and equipment. With available land on the Campbell Clinic campus a limited and valuable asset, and with the long term growth trends, both retrospective and prospective, for the clinic's medical office, ancillary services, and ambulatory surgery center facilities, the relocation alternative for the CCSC provides the optimal and maximal use of all resources over the long term. Expanding a single story facility, as initially proposed in CN 1208-040, over the longer term, is a sub-optimal use of property, and as such, limits the overall growth potential for the clinic in this location.

During the course of the evaluation of alternatives, the practice also considered other sites both within and outside Germantown, but concluded that constructing a new MOB and ASTC, in the same building and on the existing campus, was the most beneficial and cost effective solution to its strategic initiatives.

These and other determinations led the practice to request HSDA extensions of CN1208-040, pending successful completion of zoning and other processes with the City of Germantown to ensure that a new MOB would be allowed on Clinic land. The MOB plan has now been approved by the City of Germantown, allowing the filing of this relocation CON application.

B. The Continuing Need for the Additional Surgical Rooms at Germantown

In 2012, the CCSC was in great need of additional surgical rooms. Its four operating rooms and single procedure room were heavily overscheduled. Extended hours were needed to meet patient needs. There was a 3-week waiting time for some types of cases. Cases performed in the surgical rooms far exceeded the norms established in the State Health Plan. With the physician practice planning to continue recruitment of orthopaedists and physiatrists, it was proposed to double surgical room capacity; and the HSDA Board agreed. That project was unopposed by any other provider.

In order to cope with insufficient surgical room capacity while the MOB project was moving through local zoning processes, in 2014 the applicant purchased a second, four-OR surgery center in the Midtown area of Memphis, and shifted many cases to the Midtown location. The Midtown facility will remain a resource for the CCSC in future years; but it will be preferable to concentrate most cases at Germantown once more capacity is available there.

Increases in total practice cases and a focus on performing them at Germantown ensure a continuing need for a total of eight operating rooms and two procedure rooms at Germantown.

The following page shows current and projected utilization at Germantown, in terms of surgical minutes available in an 8-hour workday, and in terms of the State Health Plan's case targets for optimal 70% utilization of surgical rooms. Currently, even with Midtown absorbing many cases, the Germantown operating rooms are at 98% of optimal case utilization and its procedure room is at 178.7% of the optimal standard. In terms of available minutes, the operating rooms are at 105% of an 8-hour day.

In Years Two and Six, with additional capacity and more complex cases being phased in, Germantown will be at 95.5% to 102.8% of the case target for operating rooms. Its operating rooms will be utilized at 114.7% to 123.4% of available minutes in an 8-hour workday. The procedure rooms will be at 139.2%-162.9% of the State Health Plan target for optimal cases per room, and will require more minutes than are available in just one procedure room.

Table B-Applicant's Analysis: Utilization of Campbell Clinic Surgery Center Germantown

Surgical Room Utilization in CY2017

Type of Case	Average Minutes Patient is in Room	Average Room Turnaround Minutes Per Case	Average Total Minutes Per Case	Number of Cases	Total Room Minutes Required	Type of Room Where Cases Performed	Number of Rooms	Available Minutes of Capacity at 120,000 Minutes Per Year Per Room	Utilization % of Available Minutes	Cases Per Room	Percent of State Health Plan's Optimal (70%) Utilization Standard O.R. = 884 Cases PR = 1,867 Cases
Orthopedic	135	11	146	3,473	507,058	O.R.	4	480,000	105.6%	868	98.2%
Pain Management	22	5	27	3,336	90,072	Proced. Rm	1	120,000	75.1%	3,336	178.7%

Surgical Room Utilization in Project Year Two (CY 2021)

Type of Case	Average Minutes Patient is in Room	Average Room Turnaround Minutes Per Case	Average Total Minutes Per Case	Number of Cases	Total Room Minutes Required	Type of Room Where Cases Performed	Number of Rooms	Available Minutes of Capacity at 120,000 Minutes Per Year Per Room	Utilization % of Available Minutes	Cases Per Room	Percent of State Health Plan's Optimal (70%) Utilization Standard O.R. = 884 Cases PR = 1,867 Cases
Orthopedic	148	15	163	5,453	888,839	O.R.	6	720,000	123.4%	909	102.8%
Pain Management	22	5	27	5,198	140,346	Proced. Rm	2	240,000	58.5%	2,599	139.2%

Surgical Room Utilization in Project Year Six (CY 2025)

Type of Case	Average Minutes Patient is in Room	Average Room Turnaround Minutes Per Case	Average Total Minutes Per Case	Number of Cases	Total Room Minutes Required	Type of Room Where Cases Performed	Number of Rooms	Available Minutes of Capacity at 120,000 Minutes Per Year Per Room	Utilization % of Available Minutes	Cases Per Room	Percent of State Health Plan's Optimal (70%) Utilization Standard O.R. = 884 Cases PR = 1,867 Cases
Orthopedic	148	15	163	6,755	1,101,065	O.R.	8	960,000	114.7%	844	95.5%
Pain Management	22	5	27	6,081	164,187	Proced. Rm	2	240,000	68.4%	3,041	162.9%

Source: Facility Management and Table B-Need-6(a-b)

QUESTIONS

NEED

1. Provide a response to each criterion and standard in Certificate of Need categories in the State Health Plan that are applicable to the proposed project. Criteria and standards can be obtained from the THSDA or found on the agency's website at http://tjn.gov/hsda/article/hsda-criteria-and-standards.

STATE HEALTH PLAN
CERTIFICATE OF NEED STANDARDS AND CRITERIA

Project-Specific Review Criteria: Construction, Renovation, Expansion, and Replacement of Health Care Institutions

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

Not applicable. This application is for a replacement of a prior approved Certificate of Need with no change in scope of services, no beds, and no major medical equipment.

2. For relocation or replacement of an existing licensed healthcare institution:

a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

This project is for a surgery center whose renovation to double its operating and procedure room complements was approved in 2012 by CN1208-040. The actual capital cost of that work (excluding lease paymets) was estimated at approximately $12,700,000. This application proposes to replace that unimplemented project with a replacement facility in leased space. The actual capital cost to implement this project, consisting of (a) the lessor's cost of shelling-in and finishing "turnkey" the project's leased space and (b) the applicant's CON and equipment costs, is estimated at $18,877,698 (excluding lease payments). This is more costly, based in part on the following new project factors:

- A significant component of the cost increase simply reflects the annual inflation of construction costs since 2012. It also should be noted that the replacement plan does not call for a larger facility footprint, or more surgical room complements, than in the renovation plan.

- With the CCSC relocated, its parent, the Campbell Clinic, will have an existing building that it can renovate into additional needed physician offices and/or support space, at much lower cost than new construction. This will largely offset the difference in cost of the renovation and replacement alternatives.

- Savings will also occur because the relocation approach will avoid service interruptions and workflow impediments that would have occurred in an extended renovation project. A simple relocation avoids adverse impacts on employee productivity and on the number of cases that could be performed in the midst of a large construction project. Direct and indirect loss of net revenues from these effects would be detrimental to the overall/combined entity.

• There are significant advantages that the replacement alternative will provide, that were not provided in the expansion plan and for which no costs were projected at that time. These are discussed in detail in the preceding summaries of Need for the Project. They include:

--efficient co-location of most medical staff and the CCSC facility
--provision of OR observation areas to enhance the practice's training mission
--maximizing value in the use of total campus space for the Campbell Clinic
--increased separation of non-sterile traffic and sterile OR space
--flexible use of pre- and post-operative stations responsive to patient needs
--equipment storage centralization
--separation of entering and departing patients

b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

This relocation project will replace a similar, but unimplemented, surgery center expansion project that was approved in 2012.

There is a continuing need for the originally approved addition of surgical capacity. Today the CCSC has 4 operating rooms and 1 procedure room. The operating rooms are utilized at 105.6% of available minutes in an 8-hour workday, and at 98.2% of the State Health Plan's optimal utilization target for operating rooms. The single procedure room is utilized at 178.7% of the State Plan's case target, and at 75.1% of available minutes.

At the new location, there will be double the surgical room capacity, as was approved in the 2012 CON application. Continued increase in cases from the Campbell Clinic, and moving back cases from the Midtown Surgery Center, will ensure that the relocated facility's Year Two OR utilization in six rooms will be 123.4% of available minutes in an 8-hour workday, and at 102.8% of the State Health Plan's optimal utilization target for operating rooms. The two procedure rooms will be utilized at 139.2% of the State Health Plan optimal case guideline, and at 58.5% of available minutes. For the latter, however, this will still be more minutes than are available in just one procedure room.

In Year Six, with eight operating rooms in use, the OR suite will be at 95.5% of the State Health Plan's optimal case utilization standard and will use 114.7% of surgical minutes available in an 8-hour day. The two procedure rooms will be at 162.9% of the State Plan target and at 68.4% of available minutes.

3. For renovation or expansion of an existing licensed healthcare institution:

a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

Not applicable. This project is for a relocation, not an expansion, of an existing facility.

(END OF PROJECT-SPECIFIC STATE GUIDELINES)

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any, and how it relates to previously approved projects of the applicant.

The Campbell Clinic and its CSSC have long planned to expand to accommodate increases in medical staff and surgery cases when needed. It was for that purpose that several adjoining parcels of land were acquired over 25 years ago. However, since the CCSC expansion under CN1208-040A was approved, the physician practice has identified many advantages to relocating the CCSC on campus, rather than expanding it. Those considerations have been discussed in detail in three preceding sections of this application.

This new CON application to move the Clinic's surgery center into a new medical office building on land already owned by the physician practice is not a change in the applicant surgery center's long-range plan for adding surgical capacity; it is simply a change in location for additional capacity already approved. The relocation will be only approximately 100 feet away, on an adjoining parcel of Clinic property with a different street frontage and street address (when assigned).

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map for the Tennessee portion of the service area, using the map on the following page, clearly marked to reflect the service area as it relates to meeting the requirements for CON criteria and standards that may apply to the project. Please include a discussion of the inclusion of counties in the bordering states, if applicable.

The project's primary service area consists of Shelby, Tipton and Fayette Counties in Tennessee, DeSoto County in Mississippi, and Crittenden County in Arkansas. These are five of the more than one hundred U.S. counties from which CCSC patients come each year. They constituted 80.4% of all cases referred in CY 2016. No other county contributed as much as 1.5% of the CCSC's total referrals. The applicant has no reason to project a change in its current service area. Table B-Need-2 below projects patient origin by county for this project's first two years, based on CY2011 experience. A service area map and a map showing the location of the service within the State of Tennessee are provided as Attachments C, Need--3 at the back of the application.

Table B-Need-2: Projected Patient Origin
Campbell Clinic Surgery Center--Germantown

County	Current Percent of Total	Year One (2020) Cases	Year Two (2021) Cases
Shelby (TN)	62.7%	6,356	6,675
DeSoto (MS)	6.3%	640	672
Tipton (TN)	5.6%	568	596
Fayette (TN)	4.3%	441	463
Crittenden (AR)	1.5%	154	162
Subtotal PSA	**80.4%**	**8,159**	**8,568**
Other Co. <1.5%	19.6%	1,983	1.993
Total All Counties	**100.0%**	**10,142**	**10,651**

Source: Practice records and Table B-Need-5.

3. (Continued) Please complete the following tables, if applicable:

Service Area Counties	Historical Utilization by County Residents	% of Total Procedures
Shelby (TN)	62.7%	62.7%
DeSoto (MS)	6.3%	6.3%
Tipton (TN)	5.6%	5.6%
Fayette (TN)	4.3%	4.3%
Crittenden (AR)	1.5%	1.5%
Subtotal PSA	**80.4%**	**80.4%**
Other Co. <1.5%	19.6%	19.6%
Totals	**100.0%**	**100.0%**

Service Area Counties	Projected Utilization by County Residents	% of Total Procedures
Shelby (TN)	62.7%	62.7%
DeSoto (MS)	6.3%	6.3%
Tipton (TN)	5.6%	5.6%
Fayette (TN)	4.3%	4.3%
Crittenden (AR)	1.5%	1.5%
Subtotal PSA	**80.4%**	**80.4%**
Other Co. <1.5%	19.6%	19.6%
Shelby (TN)	**100.0%**	**100.0%**
Totals	62.7%	62.7%

4A(1). Describe the demographics of the population to be served by the proposal.

Please see Table B-Need-4A(2) on the following page.

• The primary service area population is projected to increase by 3.6% over the next four years, slightly faster than the 3.2% Statewide projection. The adult population will increase 3.6% in both the primary service area and Statewide.

• The primary service area sge is slightly lower than the State average; their median ages are respectively 37.2 and 38.4 years of age.

• The primary service area's household income averages much higher than the Statewide average, at $51,594 vs. $45,219 Statewide.

• The primary service area's percentage of persons living in poverty is less than 1% different from the State percentage--16.7% vs. 17.6% respectively.

• The primary service area's percentage of TennCare enrollees is 20.5% compared to the State's 21%.

A(2). Using current and projected population data from the Department of Health, the most recent enrollee data from the Bureau of TennCare, and demographic information from the U.S. Census Bureau, complete the following table and include data for each county in your proposed service area.

Projected Population Data:

http://www.tn.gov/health/article/statistics-population

TennCare Enrollment Data:

http://www.tn.gov/tenncare/topic/enrollment-data

Census Bureau Fact Finder:

http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml

Please see Table B-Need-4A(2) on the following page.

Table B-Need-4A(2): Campbell Clinic Surgery Center--Germantown
Demographic Characteristics of Primary Service Area
2017-2021

	Department of Health / Health Statistics							Bureau of the Census				TennCare	
Primary Service Area Counties	Current Total Population 2017	Projected Total Population 2021	Total Population % Change 2017 - 2021	Current Target* Population Age 13+ 2017	Projected Target* Population Age 13+ 2021	Projected Target* Population 13+ % Change 2017 - 2021	Projected Target* Population 13+ As % of Projected Total Population 2021	Median Age	Median Household Income	Persons Below Poverty Level	Persons Below Poverty Level as % of Total Population	Current TennCare Enrollees	TennCare Enrollees as % of Total County or Zip Code Population
Fayette	45,626	49,441	8.4%	38,769	42,485	9.6%	85.9%	43.7	$54,890	6,342	13.9%	6,935	15.2%
Shelby	964,804	986,423	2.2%	783,948	799,105	1.9%	81.0%	34.9	$46,224	206,468	21.4%	251,115	26.0%
Tipton	68,247	72,169	5.7%	56,760	60,341	6.3%	83.6%	37.0	$53,669	9,282	13.6%	13,216	19.4%
DeSoto, MS	198,539	217,483	9.5%	155,844	171,738	10.2%	79.0%	36.0	$35,165	60,753	30.6%	NA	NA
Crittenden, AR	49,235	49,235	0.0%	9,557	9,165	-4.1%	18.6%	34.6	$38,004	11,866	24.1%	NA	NA
Primary Service Area	1,326,451	1,374,751	3.6%	1,044,878	1,082,834	3.6%	78.8%	37.2	$51,594	222,092	16.7%	271,266	20.5%
State of TN Total	6,887,572	7,108,031	3.2%	5,305,131	5,494,030	3.6%	77.3%	38.4	$45,219	1,212,213	17.6%	1,446,810	21.0%

Sources: TDOH Population Projections for 2017 and 2021; U.S. Census QuickFacts for MS and AR2016 Population and age/income statistics; TennCare Bureau.

Notes:

1. *Service area data is either total, or average, as appropriate.*
2. *MS and AR populations for these ages and years are interpolated by applicant from State websites; MS adult age cohort is 16+ yrs, 13+ not available.*

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

CCSC is accessible to low-income TennCare enrollees and to the elderly. CY2016 records showed a payor mix of 10.8% TennCare and 14.8% Medicare (combined 25.6%). By comparison, The prior approved CON application showed a 2012 (Q1-Q2) payor mix of 8.5% TennCare and 16.6% Medicare (25.1% combined).

The Surgery Center does not discriminate in its admissions on the basis of age, gender, race, ethnicity, or religion.

5. Describe the existing and approved but unimplemented services of similar healthcare providers in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. List each provider and its utilization and/or occupancy individually. Inpatient bed projects must provide the following data: admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the appropriate measures, e.g., cases, procedures, visits, admissions, etc. This does not apply to projects that are solely relocating a service.

In the project's primary service area, there are twelve ambulatory surgical treatment centers that perform orthopaedic and/or pain management cases. They are all in Shelby County. Table B-Need-5 on the two following two pages provides their past three years of utilization as reported in FYE 2014-FYE 2016 Joint Annual Reports. Below is a summary of utilization trends shown in that table.

Summary of Data from Table B-Need-5 Utilization of Similar Facilities in the Primary Service Area of the Project				
	FYE 2014	FYE 2015	FYE 2016	Change in 2 Yrs
Operating Rooms	44	44	44	0
Cases Per Operating Room	741	844	778	+5.0%
% of State Health Plan Optimal Target (884 Cases/Yr)	83.8%	95.5%	88.0%	+4.2%
Procedure Rooms	13	13	13	0
Cases Per Procedure Room	1,059	1,236	1,435	+35.5%
% of State Health Plan Optimal Target (1,867 Cases/Yr)	56.7%	66.2%	76.9%	+20.2%
Total Cases Performed	46,378	53,210	52,886	+14.0%
Orthopaedic and Pain Management Cases Performed	26,762	32,386	34,008	+27.1%
Orthopaedic /Pain Mgt Cases as % of Total Cases	57.7%	60.9%	64.3%	+6.6%

Over the past two reporting years, although operating room and procedure room utilization are not yet at the optimal level set forth in the State Health Plan, utilization of OR's and procedure rooms in those facilities increased significantly. Total cases in the facilities increased by 14.0%. Cases per OR increased 5.0% and cases per procedure room increased 35.5%. Significantly for this application, over the past two years orthopaedic and pain management cases increased at 27.1%--almost twice the rate of total cases. And last year, orthopaedic and pain management cases reached almost two-thirds of total surgical cases of this group. Today, more and more procedures (total joint arthroplasty, spinal procedures) are being performed in an ASTC setting, and are contracted procedures for a majority of commercial insurance carriers and the Campbell Clinic Surgery Center.

It should be added that many of the facilities in this group perform cases in more specialties than just orthopaedics or pain management. However, the Campbell Clinic's two ambulatory surgery centers are the only ones in the service area that perform both orthopaedic and pain management cases **exclusively**.

Table B-Need-5 (Page One): Campbell Clinic Surgery Center
Historic Utilization of Alternative Surgery Centers With Orthopedic/Pain Management Cases
Tennessee Primary Service Area

FYE 6-30-2016 Joint Annual Report of ASTC's

State ID	Facility Name	County	O.R.'s	Cases in O.R.s	Cases Per O.R.	% of Total O.R. Capacity (1,263 cases)	% of Optimal O.R. Capacity (884 cases)	Procedure Rooms	Cases in Procedure Rooms	Cases Per Procedure Room	% of Total Proc Rm Capacity (2,667 cases)	% of Optimal Proc Rm Capacity (1,867) cases)	Orthopedic & Pain Management Cases	Orthopedic and Pain Management Percent of Total Cases
79669	Baptist Germantown Surgery Center	Shelby	5	3,861	772	61.1%	87.4%	0	0	0	0.0%	0.0%	1,810	46.9%
79633	Campbell Clinic Surgery Center-Midtown	Shelby	4	2,753	688	54.5%	77.9%	0	0	0	0.0%	0.0%	2,753	100.0%
79691	Campbell Clinic Surgery Center-Germantown	Shelby	4	3,322	831	65.8%	93.9%	1	3,466	3,466	130.0%	185.6%	6,788	100.0%
79614	East Memphis Surgery Center	Shelby	6	4,246	708	56.0%	80.1%	3	1,155	385	14.4%	20.6%	941	17.4%
79603	LeBonheur East Surgery Center	Shelby	4	2,462	616	48.7%	69.6%	0	0	0	0.0%	0.0%	21	0.9%
79620	Mays & Schnapp Pain Clinic & Rehabilitation Center	Shelby	2	4,395	2,198	174.0%	248.6%	0	0	0	0.0%	0.0%	4,395	100.0%
79295	Memphis Surgery Center	Shelby	4	1,686	422	33.4%	47.7%	1	0	0	0.0%	0.0%	296	17.6%
79639	Methodist Surgery Center Germantown	Shelby	4	3,987	997	78.9%	112.8%	1	1,248	1,248	46.8%	66.8%	2,400	45.8%
79765	Mid-South Interventional Pain Institute	Shelby	0	0	0	0.0%	0.0%	2	3,360	1,680	63.0%	90.0%	3,360	100.0%
79646	North Surgery Center	Shelby	4	2,369	592	46.9%	67.0%	1	1,174	1,174	44.0%	62.9%	1,950	55.0%
79694	Semmes–Murphy Clinic	Shelby	3	1,536	512	40.5%	57.9%	2	5,129	2,565	96.2%	137.4%	5,129	77.0%
79724	Surgery Center at Saint Francis	Shelby	4	3,611	903	71.5%	102.1%	2	3,126	1,563	58.6%	83.7%	4,165	61.8%
	TN PRIMARY SERVICE AREA		**44**	**34,228**	**778**	**61.6%**	**88.0%**	**13**	**18,658**	**1,435**	**53.8%**	**76.9%**	**34,008**	**64.3%**

Notes:

1. *Midtown Surgery Center (ID# 79633) became "Campbell Clinic Surgery Center–Midtown") in April 2014.*
2. *ASTC Utilization in Arkansas and Mississippi excluded due to lack of data reporting.*

Table B-Need-5 (Page Two): Campbell Clinic Surgery Center
Historic Utilization of Alternative Surgery Centers With Orthopedic/Pain Management Cases
Tennessee Primary Service Area

FYE 6-30-2015 Joint Annual Report of ASTC's

State ID	Facility Name	County	O.R.'s	Cases in O.R.s	Cases Per O.R.	% of Total O.R. Capacity (1,263 cases)	% of Optimal O.R. Capacity (884 cases)	Procedure Rooms	Cases in Procedure Rooms	Cases Per Procedure Room	% of Total Proc Rm Capacity (2,667 cases)	% of Optimal Proc Rm Capacity (1,867) cases)	Orthopedic & Pain Management Cases	Orthopedic and Pain Management Percent of Total Cases
79669	Baptist Germantown Surgery Center	Shelby	5	3,811	762	60.3%	86.2%	0	0	0	0.0%	0.0%	1,869	49.0%
79633	Campbell Clinic Surgery Center-Midtown	Shelby	4	1,323	331	26.2%	37.4%	0	0	0	0.0%	0.0%	1,323	100.0%
79691	Campbell Clinic Surgery Center-Germantown	Shelby	4	3,483	871	68.9%	98.5%	1	3,769	3,769	141.3%	201.9%	7,252	100.0%
79614	East Memphis Surgery Center	Shelby	6	4,190	698	55.3%	79.0%	3	1,151	384	14.4%	20.5%	1,036	19.4%
79603	LeBonheur East Surgery Center	Shelby	4	4,108	1,027	81.3%	116.2%	0	0	0	0.0%	0.0%	56	1.4%
79620	Mays & Schnapp Pain Clinic & Rehabilitation Center	Shelby	2	4,422	2,211	175.1%	250.1%	0	0	0	0.0%	0.0%	4,422	100.0%
79295	Memphis Surgery Center	Shelby	4	2,652	663	52.5%	75.0%	1	0	0	0.0%	0.0%	549	20.7%
79639	Methodist Surgery Center Germantown	Shelby	4	3,943	986	78.0%	111.5%	1	1,252	1,252	46.9%	67.1%	2,463	47.4%
79765	Mid-South Interventional Pain Institute	Shelby	0	0	0	0.0%	0.0%	2	2,728	1,364	51.1%	73.1%	2,728	100.0%
79646	North Surgery Center	Shelby	4	2,351	588	46.5%	66.5%	1	1,339	1,339	50.2%	71.7%	2,079	56.3%
79694	Semmes--Murphy Clinic	Shelby	3	1,570	523	41.4%	59.2%	2	4,712	2,356	88.3%	126.2%	4,712	75.0%
79724	Surgery Center at Saint Francis	Shelby	4	5,288	1,322	104.7%	149.5%	2	1,118	559	21.0%	29.9%	3,897	60.8%
	TN PRIMARY SERVICE AREA		**44**	**37,141**	**844**	**66.8%**	**95.5%**	**13**	**16,069**	**1,236**	**46.3%**	**66.2%**	**32,386**	**60.9%**

FYE 6-30-2014 Joint Annual Report of ASTC's

State ID	Facility Name	County	O.R.'s	Cases in O.R.s	Cases Per O.R.	% of Total O.R. Capacity (1,263 cases)	% of Optimal O.R. Capacity (884 cases)	Procedure Rooms	Cases in Procedure Rooms	Cases Per Procedure Room	% of Total Proc Rm Capacity (2,667 cases)	% of Optimal Proc Rm Capacity (1,867) cases)	Orthopedic & Pain Management Cases	Orthopedic and Pain Management Percent of Total Cases
79669	Baptist Germantown Surgery Center	Shelby	5	3,508	702	55.6%	79.4%	0	0	0	0.0%	0.0%	1,397	39.8%
79633	Campbell Clinic Surgery Center-Midtown	Shelby	4	161	40	3.2%	4.6%	0	0	0	0.0%	0.0%	161	100.0%
79691	Campbell Clinic Surgery Center-Germantown	Shelby	4	3,089	772	61.1%	87.4%	1	4,264	4,264	159.9%	228.4%	7,353	100.0%
79614	East Memphis Surgery Center	Shelby	6	4,087	681	53.9%	77.1%	3	1,182	394	14.8%	21.1%	1,111	21.1%
79603	LeBonheur East Surgery Center	Shelby	4	2,446	612	48.4%	69.2%	0	0	0	0.0%	0.0%	100	4.1%
79620	Mays & Schnapp Pain Clinic & Rehabilitation Center	Shelby	2	4,245	2,123	168.1%	240.1%	0	0	0	0.0%	0.0%	4,245	100.0%
79295	Memphis Surgery Center	Shelby	4	2,730	683	54.0%	77.2%	1	131	131	4.9%	7.0%	388	13.6%
79639	Methodist Surgery Center Germantown	Shelby	4	4,120	1,030	81.6%	116.5%	1	1,335	1,335	50.1%	71.5%	2,738	50.2%
79765	Mid-South Interventional Pain Institute	Shelby	0	0	0	0.0%	0.0%	2	986	494	18.5%	26.5%	988	100.0%
79646	North Surgery Center	Shelby	4	2,334	584	46.2%	66.0%	1	1,283	1,283	48.1%	68.7%	1,363	37.7%
79694	Semmes--Murphy Clinic	Shelby	3	1,162	387	30.7%	43.8%	2	2,742	1,371	51.4%	73.4%	2,742	70.2%
79724	Surgery Center at Saint Francis	Shelby	4	4,723	1,181	93.5%	133.6%	2	1,848	924	34.6%	49.5%	4,176	63.6%
	TN PRIMARY SERVICE AREA		**44**	**32,605**	**741**	**58.7%**	**83.8%**	**13**	**13,773**	**1,059**	**39.7%**	**56.7%**	**26,762**	**57.7%**

Notes:

1. *Midtown Surgery Center (ID# 79633) became "Campbell Clinic Surgery Center–Midtown") in April 2014.*
2. *ASTC Utilization in Arkansas and Mississippi excluded due to lack of data reporting.*

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three years and the projected annual utilization for each of the two years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

CN1208-040 was approved in CY2012 to expand to double CCSC's complement of operating and procedure rooms by CY2014. However, by CY2013 the physician practice determined to develop additional clinic space for additional physicians it planned to recruit. The decision was made to move the CCSC into a new building on adjoining land owned by the physician practice, freeing up the CCSC's existing building for conversion to practice-related offices. That would require obtaining a replacement CON and a long wait for Germantown planning and zoning approvals.

To provide much-needed additional surgical capacity in the interim, the Campbell Clinic purchased the Midtown Surgery Center in Memphis from Midtown Surgery Center, LP and Baptist Memorial Hospital. Midtown was, and is, a separately licensed facility with four operating rooms and no procedure rooms. While it is not a part of this application, its utilization dis factored in, in order to clarify this application's projected utilization of the CCSC at its new address.

The Midtown facility began operation under CCSC ownership in April 2014. Since then, cases that could not be accommodated at the Germantown facility, and cases for patients who could access the Midtown location more conveniently, have been scheduled at Midtown rather than Germantown.

Table B-Need-6 (a) on the following page shows CCSC's historical caseloads at both of its surgery centers from CY2013 through annualized CY2017. Table B-Need 6(b) on the second following page projects utilization of both centers through CY 2025 (Year Six of this project). The data is on a calendar year basis, not the fiscal year basis used in ASTC Joint Annual Reports. Projections are based on the following assumptions.

1. When the new Germantown MOB opens, more than half of Midtown's orthopaedic cases, and all of its pain management cases, will be moved to the new facility. An estimated 85% of the CCSC's orthopaedic cases will then be performed in Germantown.

2. With recent and near-term additions to the Campbell Clinic physician staff, the orthopaedic cases at the combined facilities are projected to increase 4% per year from now until the new Germantown facility opens with additional surgical rooms. After the larger replacement facility opens, total orthopaedic cases at both facilities are projected to increase 6% per year from Years One through Five and 4% per year thereafter. These increased growth rates are a proximal result of adding additional orthopaedic surgeons at the Campbell Clinic, in order to meet increasing demand.

3. Total pain management cases, wherever located, are projected to increase 4% annually after CY2017.

4. On January 1, 2018 the physician practice will have 42 orthopaedic surgeons and 5 physiatrists. Within three more years, it will have 48 orthopaedic surgeons and 6 physiatrists--an increase of approximately 15%--with a concurrent impact on referrals to CCSC.

Moreover, CMS is expected to allow Medicare patients to have total knee arthroscopy in the ASC setting in CY2018, and total hip replacement in ASC's in CY2020. Campbell Clinic and Campbell Surgery Center currently have in place a number of commercial insurance contracts for total joint arthroplasty and certain spine surgical procedures in the ATSC setting at CCSC. The volume of these procedures over the past several years has increased significantly, and as more physicians and eligible patients elect to perform/have these procedures in the ATSC, and more insurance carriers transition contracts to this setting, the values are expected to continue with strong growth. Please see the materials in the "Miscellaneous" attachment to the application, for published forecasts of the extremely rapid increases projected for joint replacement projects--which have already begun to migrate from hospitals to surgery center settings. These factors support the Clinic's projections of continuing increases in surgeries at its Germantown facility, in the years ahead.

Although Campbell Clinic Surgery Center Midtown is not part of this application, it should be noted that it will continue to operate with a positive cash flow, after the projected volumes of its orthopedic and pain management caseloads have been transitioned to the expanded CCSC in 2021.

Table B-Need-6(a) Historic Utilization of Cambell Clinic Surgery Centers 2015-2017			
Campbell Clinic Surgery Centers (CCSC)	**CY 2015**	**CY 2016**	**Annualized CY 2017**
CCSC Germantown			
Orthopedic Cases (All in O.R.)	3,658	3,611	3,473
Operating Rooms	4	4	4
Cases Per Operating Room	915	903	868
% of SHP Target--884 Cases Per Room	103.5%	102.1%	98.2%
Pain Management Cases (All in Proc. Rm)	3,390	3,256	3,336
Procedure Rooms	1	1	1
Cases Per Procedure Room	3,390	3,256	3,336
% of SHP Target--1,867 Cases Per Room	383.5%	368.3%	377.4%
CCSC Midtown (No Procedure Rooms)			
Orthopedic and Pain Management Cases	1,965	2,999	2,913
Operating Rooms	4	4	4
Cases Per Operating Room	491	750	728
% of SHP Target--884 Cases Per Room	55.6%	84.8%	82.4%

Source: Facility Records

Table B-Need-Six (b): Projected Utilization of Cambell Clinic Surgery Centers 2018-2025 (Project Years 1-6)								
Campbell Clinic Surgery Centers (CCSC)	**CY 2018**	**CY2019**	**Project Year 1 CY 2020**	**Project Year 2 CY 2021**	**Project Year 3 CY 2022**	**Project Year 4 CY 2023**	**Project Year 5 CY 2024**	**Project Year 6 CY 2025**
CCSC Germantown								
Orthopedic Cases (All in O.R.)	3,624	3,768	5,144	5,453	5,780	6,127	6,495	6,755
Staffed Operating Rooms	4	4	6	6	8	8	8	8
Cases Per Operating Room	906	942	857	909	723	766	812	844
% of SHP Target--884 Cases Per Room	102.5%	106.6%	97.0%	102.8%	81.7%	86.6%	91.8%	95.5%
Pain Management Cases (All in Proc. Rm)	3,466	3,604	4,998	5,198	5,406	5,622	5,847	6,081
Procedure Rooms	1	1	2	2	2	2	2	2
Cases Per Procedure Room	3,466	3,604	2,499	2,599	2,703	2,811	2,924	3,041
% of SHP Target--1,867 Cases Per Room	185.6%	193.0%	133.9%	139.2%	144.8%	150.6%	156.6%	162.9%
CCSC Midtown (No Procedure Rooms)								
Orthopedic Cases	1,866	1,942	908	962	1,020	1,081	1,146	1,192
Pain Management Cases	1,155	1,202	0	0	0	0	0	0
Total Cases	3,021	3,144	908	962	1,020	1,081	1,146	1,192
	4	4	4	4	4	4	4	4
Cases Per Operating Room	755	786	227	241	255	270	287	298
% of SHP Target--884 Cases Per Room	85.4%	88.9%	25.7%	27.2%	28.8%	30.6%	32.4%	33.7%
Combined Caseloads, Both Centers								
Orthopedic Cases	5,490	5,710	6,052	6,415	6,800	7,208	7,641	7,947
Change from Prior Year	4.0%	4.0%	6.0%	6.0%	6.0%	6.0%	6.0%	4.0%
Pain Management Cases	4,621	4,806	4,998	5,198	5,406	5,622	5,847	6,081
Change from Prior Year	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

Source: Facility Management and Development Support Group

ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

A. All projects should have a project cost of at least $15,000 (the minimum CON Filing Fee), (See application instructions for Filing Fee.)

B. The cost of any lease, The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.

C. The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

Campbell Clinic, P.C. ("Clinic") is the parent company of the CON applicant Campbell Clinic Surgery Center, LLC "CCSC").

Campbell Clinic plans to develop and own the MOB where the CCSC will be re-located. On adjoining land currently owned by the Campbell Clinic, the Clinic will develop the MOB to finished stage for approximately 90,000 SF of the entire 120,000 +/- SF building, one floor (30,000 SF) of which will be fully finished as "turnkey", excluding equipment, to be leased to the CCSC. A 2,000 SF mechanical area of the ground floor will also be finished for lease to the CCSC. The Clinic's development costs for this construction will be funded by a 100% loan from First Tennessee Bank. The CCSC will fund its CON process and its equipment costs with a separate 100% loan from First Tennessee Bank, and then will lease, equip, license, and operate the finished 32,000 SF of space as its new facility.

The Project Cost Chart for the applicant is provided on the next page. Sections A and E show the capital costs borne by the applicant--i.e., only CON-related and equipment costs. This Project Cost Chart does not include the capital costs associated with the development of finished Surgery Center space. CCSC will lease its new space, those lease outlays will exceed the development cost of the leased space, and the lease outlay entered in Section B must be used as the value of the leased space, in accordance with HSDA rules.

- Line A.2 shows estimated legal and consulting fees that may be incurred in preparing for this project and throughout the CON process.

- Line A.6 is a 10% construction contingency.

- Lines A.7-A.8 are the maximum list price of equipment to be purchased for the new space.

* Line A.9 is an allowance for miscellaneous equipment-related purchases (phone systems, etc.)

• Line B.1 is the "fair market value" of the leased space for the relocated CCSC. For a leased premises, HSDA rules require that the applicant make two alternative calculations, and use the higher of the two in line B.1. The two alternative methods are the Lease Outlay method (total lease payments over the first term of the lease) and the Space Value method (estimated value of the space being leased, according to an appraisal or the actual cost of its development). Both calculations are shown below. Alternative A, the Lease Outlay method resulted in the greater cost and was used in Line B.1 of the Project Cost Chart, as required by HSDA rules.

Alternative A: Lease Outlay Method:

The lease will be for $42 per rentable square foot ("RSF"), with no escalator, for an initial term of 10 years. There will be 32,000 usable SF in the project (30,000 on the fourth floor and 2,000 mechanical/electrical space on the ground floor). To allow for common area use, this was grossed up by 8% to 34,560 rentable square feet (RSF), which is used in the lease option. Lease outlay the first term will therefore be 34,560 RSF X $42 PRSF X 10 years = ***$14,515,200***.

Alternative B: Space Value Method:

The applicant is leasing 32,000 SF, approximately 26.7%, of the 120,000 SF MOB space. Therefore 26.7% of the developer's costs for (a) constructing the shell building and (b) finishing the applicant's space, are attributable to this project. The developer will incur a total of $38,245,354 for developing a shell building and finishing the space leased to the Surgery Center. Its value under CON rules is therefore $38,245,354 X 26.7% = ***$10,211,510***.

• Line E contains the required State review fee due with the filing of this application. The calculation is $21,390,200 applicant's cost / 1,000 X $5.75 = $122,994; but the maximum statutory fee is $95,000, which is entered in Line E.

D. Complete the Square Footage Chart on page 8 and provide the documentation. Please note the Total Construction Cost reported on line 5 of the Project Cost Chart should equal the Total Construction Cost reported on the Square Footage Chart.

The Square Footage Chart has been provided. The architect's letter documenting that Chart's construction cost is provided in the Attachments. The Total Construction Cost on line 5 of the Project Cost Chart differs from that of the Square Footage Chart because the applicant is leasing finished building space and not incurring any construction cost. The applicant's lease payments are calculated to reimburse the building developer for the developer's own construction costs, which are shown on the second following page.

PROJECT COST CHART-- CAMPBELL CLINIC SURGERY CENTER

A.	Construction and equipment acquired by purchase:	
1.	Architectural and Engineering Fees	$ 0
2.	Legal, Administrative, Consultant Fees (Excl CON Filing Fee)	75,000
3.	Acquisition of Site	0
4.	Preparation of Site	0
5.	Total Construction Cost	0
6.	Contingency Fund	0
7.	Fixed Equipment (Not included in Construction Contract)	3,700,000
8.	Moveable Equipment (List all equipment over $50,000 as separate attachment)	3,000,000
9.	Other (Specify) _____	100,000
B.	Acquisition by gift, donation, or lease:	
1.	Facility (inclusive of building and land)	14,515,200
2.	Building only	0
3.	Land only	0
4.	Equipment (Specify) _____	0
5.	Other (Specify) _____	0
C.	Financing Costs and Fees:	
1.	Interim Financing	0
2.	Underwriting Costs	0
3.	Reserve for One Year's Debt Service	0
4.	Other (Specify) _____	0
D.	Estimated Project Cost (A+B+C)	21,390,200
E.	CON Filing Fee	95,000
F.	Total Estimated Project Cost (D+E)	**TOTAL $** 21,485,200

Actual Capital Cost	6,970,000
Section B FMV	14,515,200

Project Cost Chart--Campbell Clinic Surgery Center

A.8 Equipment Detail: Items Costing $50,000 or more per Unit

Type of Equipment	Unit Price
Anesthesia Machine	$ 72,999
Steris Surgical Lights w Camera	$ 96,990
GE OEC 9900 C-Arm X-ray	$157,202
Mini C-Arm X-ray	$ 85,166
Autoclave for Instrument Room	$182,130
Washer for Instrument Room	$113,334
Sterrad System	$ 61,388
Sterile Storage System	$ 60,831

Developer's Cost for Constructing and Finishing Applicant's Leased Space

Lessor's Costs of Developing the Project "Turnkey" to Lease to the CON Applicant)		
A. Construction & Equipment Purchased		
1. A&E Fees	$1,811,040	6% of A5 + A6
2. Legal, Administrative, Consultant Fees	0	
3. Acquisition of Site	0	
4. Preparation of Site	4,000,000	
5. Construction Cost	27,440,000	$178 PSF for shell bldg + finishing ASTC space
6. Contingency	2,744,000	10%
7. Fixed Equipment		
8. Moveable Equipment		
9. Other (IT, telecomm. misc.)	1,317,500	Development fee + misc
B. Acquisition by Gift, Donation, or Lease		
1. Facility (Building+Land)	0	
2. Building Only	0	
3. Land Only	0	Site already owned
4. Equipment (Specify)	0	
5. Other (Specify)	0	
C. Financing Costs & Fees		
1. Interim Interest	932,814	
2. Underwriting Costs	0	
3. Reserve for 1 Yr Debt Service	0	
4. Other (Specify)	0	
D. Estimated Project Cost (A+B+C)	38,245,354	
E. CON Filing Fee	0	
F. Total Estimated Project Cost (D+E)	$38,245,354	
NOTE: actual capital cost to be financed		

E. For projects that include new construction, modification, and/or renovation documentation must be provided from a licensed architect or construction professional that support the estimated construction costs. Provide a letter that includes the following:

1) A general description of the project;

2) An estimate of the cost to construct the project; and

3) A description of the status of the site's suitability for the proposed project;

4) Attesting the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the AIA Guidelines for Design and Construction of Hospital and Health Care Facilities in current use by the licensing authority.

See Attachment Section B-Economic Feasibility-1E.

2. Identify the funding sources for this project.

Check the applicable item(s) below and briefly summarize how the project will be financed. (Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)

__X__A. Commercial Loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;

_____B. Tax-Exempt Bonds--copy of preliminary resolution or a letter from the issuing authority, stating favorable contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;

_____C. General Obligation Bonds--Copy of resolution from issuing authority or minutes from the appropriate meeting;

_____D. Grants--Notification of Intent form for grant application or notice of grant award;

_____E. Cash Reserves--Appropriate documentation from Chief Financial Officer; or

_____F. Other--Identify and document funding from all sources.

Documentation of the availability of 100% loan financing from First Tennessee Bank is provided in the Attachments. This letter covers financing not only of the applicant's project, but also of the MOB that will be leasing space to the applicant.

3. Complete Historical Data Charts on the following pages--Do not modify the Charts or submit Chart substitutions!

Historical Data Chart represents revenue and expense information for the last three (3) years for which complete data is available. Provide a Chart for the total facility and Chart just for the services being presented in the proposed project, if applicable. Only complete one chart if it suffices.

Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant.

Please see the following pages for the Historic Data Chart. This is provided on a calendar year basis, not the fiscal year basis of the Joint Annual Reports.

Supplemental #A1
December 27, 2017
4:13 PM
X TOTAL FACILITY
O PROJECT ONLY

HISTORICAL DATA CHART --APPLICANT FACILITY NAME

Give information for the last three (3) years for which complete data are available for the facility or agency.
The fiscal year begins in January.

			CY 2015	CY 2016	CY 2017 Ann'd
A.	Utilization Data (Specify unit or measure)	Surgical Cases	7,048	6,867	6,809
B.	Revenue from Services to Patients				
	1. Inpatient Services		$ 0	$ 0	$ 0
	2. Outpatient Services		51,903,658	55,630,604	56,597,223
	3. Emergency Services		0	0	0
	4. Other Operating Revenue		0	0	0
	(Specify) See notes page				
	Gross Operating Revenue		$ 51,903,658	$ 55,630,604	$ 56,597,223
C.	Deductions from Gross Operating Revenue				
	1. Contractual Adjustments		$ 40,889,469	$ 42,883,117	$ 43,009,232
	2. Provision for Charity Care		0	734	849
	3. Provisions for Bad Debt		0	0	0
	Total Deductions		$ 40,889,469	$ 42,883,851	$ 43,010,081
NET OPERATING REVENUE			$ 11,014,189	$ 12,746,753	$ 13,587,142
D.	Operating Expenses				
	1. Salaries and Wages				
	a. Clinical		$ 2,476,002	$ 2,618,464	$ 2,618,654
	b. Non-Clinical		619,001	654,616	654,664
	2. Physicians Salaries and Wages		0	0	0
	3. Supplies	s	3,997,947	4,881,590	5,285,484
	4. Rent				
	a. Paid to Affiliates		387,549	387,549	387,549
	b. Paid to Non-Affiliates		172,573	224,690	214,880
	5. Management Fees				
	a. Paid to Affiliates		0	0	0
	b. Paid to Non-Affiliates		0	0	0
	6. Other Operating Expenses	See notes page.	759,665	811,602	827,515
	Total Operating Expenses		$ 8,412,737	$ 9,578,512	$ 9,988,746
E.	**Earnings Before Interest, Taxes, and Depreciation**		$ 2,601,452	$ 3,168,241	$ 3,598,395
F.	Non-Operating Expenses				
	1. Taxes		$ 308,736	340,255	352,890
	2. Depreciation		175,093	204,970	214,598
	3. Interest		102,021	85,549	78,954
	4. Other Non-Operating Expenses				
	Total Non-Operating Expenses		$ 585,850	$ 630,774	$ 646,442
NET INCOME (LOSS)			$ 2,015,602	$ 2,537,467	$ 2,951,953

Chart Continues Onto Next Page

	61	CY 2015	CY 2016	CY 2017 Ann'd
NET INCOME (LOSS)		$ 2,015,602	$ 2,537,467	$ 2,951,954
G. Other Deductions				
1. Annual Principal Debt Repayment		$ 0	$ 0	$ 0
2. Annual Capital Expenditure		35,629	10,858	29,302
Total Other Deductions		$ 35,629	$ 10,858	$ 29,302
NET BALANCE		$ 1,979,973	$ 2,526,609	$ 2,922,652
DEPRECIATION		$ 175,093	$ 204,970	$ 214,598
FREE CASH FLOW (Net Balance + Depreciation)		$ 2,155,066	$ 2,731,580	$ 3,137,249

X TOTAL FACILITY

O PROJECT ONLY

HISTORICAL DATA CHART -- OTHER EXPENSES

OTHER EXPENSES CATEGORIES	CY 2015	CY 2016	CY 2017 Ann'd
1. Facilities (repairs/maint/utilities)	$ 319,804	$ 304,086	$ 319,996
2. Contract Labor	42,235	80,741	54,158
3. Licenses/Fees	107,178	100,841	110,968
4. Accounting & Bank Fees	79,225	103,342	106,760
5. Transcription Services	55,729	50,456	48,057
6. Postage/Shipping	53,185	53,350	53,864
7. General Liability Insurance	26,060	30,608	29,945
8. Collection Services	23,264	38,798	45,755
9. Interpretation Services	23,823	24,429	15,766
10. Travel/Meals/Education	29,161	24,950	42,248
11.			
12.			
13.			
14			
15.			
Total Other Expenses	$ 759,665	$ 811,602	$ 827,515

3. Complete Projected Data Charts on the following pages – *Do not modify the Charts provided or submit Chart substitutions!* The Projected Data Chart requests information for the two years following the completion of the proposed services that apply to the project. Please complete two Projected Data Charts. One Projected Data Chart should reflect revenue and expense projections for the *Proposal Only* (*i.e.*, if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility). The second Chart should reflect information for the total facility. Only complete one chart if it suffices. *Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant.*

The Projected Data Chart for the facility (which is also the project) is provided on the following two pages.

Supplemental #A1
December 27, 2017
4:13 PM
X TOTAL FACILITY
O PROJECT ONLY

PROJECTED DATA CHART -- CAMPBELL CLINIC SURGERY CENTER

Give information for the last three (3) years for which complete data are available for the facility or agency.
The fiscal year begins in January.

			CY 2020 (Year One)	CY 2021__ (Year Two)
A.	Utilization Data (Specify unit or measure)	Surgical Cases	10,142	10,651
B.	Revenue from Services to Patients			
	1. Inpatient Services		$	$
	2. Outpatient Services		101,904,284	112,098,274
	3. Emergency Services			
	4. Other Operating Revenue			
	(Specify) See notes page			
		Gross Operating Revenue	$ 101,904,284	$ 112,098,274
C.	Deductions from Gross Operating Revenue			
	1. Contractual Adjustments		$ 76,427,027	$ 84,072,455
	2. Provision for Charity Care		0	0
	3. Provisions for Bad Debt		1,146	1,260
		Total Deductions	$ 76,428,173	$ 84,073,715
NET OPERATING REVENUE			$ 25,476,111	$ 28,024,559
D.	Operating Expenses			
	1. Salaries and Wages			
	a. Clinical		$ 4,718,168	$ 5,190,150
	b. Non-Clinical		1,182,090	1,300,340
	2. Physicians Salaries and Wages			
	3. Supplies		9,517,860	10,469,979
	4. Rent			
	a. Paid to Affiliates		1,451,520	1,451,520
	b. Paid to Non-Affiliates		387,236	425,973
	5. Management Fees			
	a. Paid to Affiliates			
	b. Paid to Non-Affiliates			
	6. Other Operating Expenses	See notes page	1,487,803	1,636,635
		Total Operating Expenses	$ 18,744,677	$ 20,474,597
E.	**Earnings Before Interest, Taxes, and Depreciation**		$ 6,731,434	$ 7,549,962
F.	Non-Operating Expenses			
	1. Taxes		$ 631,807	$ 695,009
	2. Depreciation		750,000	1,339,286
	3. Interest		142,666	156,938
	4. Other Non-Operating Expenses			
		Total Non-Operating Expenses	$ 1,524,473	$ 2,191,233
NET INCOME (LOSS)			$ 5,206,961	$ 5,358,729

Chart Continues Onto Next Page

	CY 2020 (Year One)	CY 2021 (Year Two)
NET INCOME (LOSS)	$ 5,206,921	$ 5,358,739
G. Other Deductions		
1. Annual Principal Debt Repayment	$ 0	$ 0
2. Annual Capital Expenditure	30,000	30,000
Total Other Deductions	$ 30,000	$ 30,000
NET BALANCE	$ 5,176,921	$ 5,328,739
DEPRECIATION	$ 750,000	$ 1,339,286
FREE CASH FLOW (Net Balance + Depreciation)	$ 5,926,921	$ 6,668,025

X **TOTAL FACILITY**

0 **PROJECT ONLY**

PROJECTED DATA CHART – OTHER EXPENSES

OTHER EXPENSES CATEGORIES	Year 2020	Year 2021
1. Facilities (repairs/maint/utilities)	$ 580,854	$ 638,960
2. Contract Labor	101,904	112,098
3. Licenses/Fees	203,809	224,197
4. Accounting and Bank Fees	193,618	212,987
5. Transcription Services	81,523	89,679
6. Postage/Shipping	101,904	112,098
7. General Liability Insurance	50,952	56,049
8. Collection Services	81,523	89,679
9. Interpretation Services	30,571	33,629
10. Travel/Meals/Education	71,333	78,469
11.		
12.		
13.		
14		
15.		
Total Other Expenses	$ 1,497,993	$ 1,647,845

5.A. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge using information from the Projected Data Chart for Year 1 and Year 2 of the proposed project. Please complete the following table.

	Project Previous Year	Project Current Year	Project Year One	Project Year Two	% Change (Current Yr to Yr2)
Gross Charge (Gross Operating Revenue/Case)	$8,101	$8,312	$10,048	$10,525	4.75%
Deduction from Revenue (Total Deductions/Case)	$6,245	$6,317	$7,536	$7,894	4.75%
Average Net Charge (Net Operating Revenue/Case)	$1,856	$1,995	$2,512	$2,631	4.74%

B. Provide the proposed charges for the project and discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the project and the impact on existing patient charges.

Please see the response to question C immediately below, and the tables which it references, for information on charges of the project.

The revenue from the project is ongoing revenue of a facility that is just being relocated to an adjacent lot. The applicant's charges are projected to increase at a normal 4.75% annually. There will be an increase in the complexity and costs of orthopedic cases as joint replacements and other complex cases continue to move into the surgery center environment over future years. Because of this, the average case charge for the facility will increase slightly faster per year between CY2017 and Year One at the new location. This is reflected in Table B-Economic Feasibility-5C(1) on the second following page.

C. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Table B-Economic Feasibility-5C (1) on the following page shows the most recent charge data reported in the FYE 2016 Joint Annual Reports of area multispecialty surgery centers, comparing them to the applicant's charges in that year and projected for CY 2020 at the proposed new location. Although the applicant's FYE 2016 average net revenue per case compared favorably to those of other facilities, it is difficult to draw any meaningful conclusion from that, because JAR data is not specific to types of cases. Case types vary among these facilities. Because gross charges differ significantly between case types, average charges and revenues over all types of cases are of minimal value in comparing facility charges.

Table B-Economic Feasibility-5C(2) on the second following page provides the applicant's current and projected average charges for frequently performed surgical procedures, currently and in Years One and Two of the project. This table also provides current Medicare reimbursement for those procedures.

Table Table B-Economic Feasibility-5C (1): FYE 2016 Charges of Service Area Multispecialty ASTC Facilities Compared to Applicant's Charges					
Facility	FYE 2016 Total Cases (JAR)	Gross Charges	Net Revenue	Charges Per Case	Net Revenue Per Case
Baptist Germantown Surgery Center	3,861	$18,990,762	$5,562,811	$4,919	$1,441
East Memphis Surgery Center	5,401	$28,707,854	$7,243,337	$5,315	$1,341
LeBonheur East Surgery Center II	2,462	$19,455,281	$6,085,400	$7,902	$2,472
Memphis Surgery Center	1,686	$15,141,096	$2,954,856	$8,980	$1,753
Methodist Surgery Center Germantown	5,235	$28,670,508	$10,283,022	$5,477	$1,964
North Surgery Center	3,543	$16,789,584	$4,955,776	$4,739	$1,399
Surgery Center at St. Francis	6,737	$43,451,900	$12,504,831	$6,450	$1,856
Campbell Clinic Surgery Center **FYE 2016**	6,788	$51,904,252	$11,732,240	$7,646	$1,728
*Campbell Clinic Surgery Center **CY 2020***	*11,050*	*$101,904,284*	*$25,476,071*	*$9,222*	*$2,306*
RANKED BY NET REVENUE PER CASE					
Facility	FYE 2016 Total Cases (JAR)	Gross Charges	Net Revenue	Charges Per Case	Net Revenue Per Case
LeBonheur East Surgery Center II	2,462	$19,455,281	$6,085,400	$7,902	$2,472
Methodist Surgery Center Germantown	5,235	$28,670,508	$10,283,022	$5,477	$1,964
Surgery Center at St. Francis	6,737	$43,451,900	$12,504,831	$6,450	$1,856
Memphis Surgery Center	1,686	$15,141,096	$2,954,856	$8,980	$1,753
Campbell Clinic Surgery Center FYE 2016	**6,788**	**$51,904,252**	**$11,732,240**	**$7,646**	**$1,728**
Baptist Germantown Surgery Center	3,861	$18,990,762	$5,562,811	$4,919	$1,441
North Surgery Center	3,543	$16,789,584	$4,955,776	$4,739	$1,399
East Memphis Surgery Center	5,401	$28,707,854	$7,243,337	$5,315	$1,341

Source: 2016 Joint Annual Reports for Surgery Centers; 2020 case projection by applicant.

Table B-Economic Feasibility-5C(2): Campbell Clinic Surgery Center Charge Data for Most Frequent Procedures					
SERVICE: ORTHOPEDIC SURGERY					
			Average Gross Charge		
CPT	**Descriptor**	**2017 Medicare Allowable**	**CY 2017 Current**	**CY 2020 Year 1**	**CY 2021 Year 2**
29881	Arthscope, Knee with Men. Rep.	$1,146	$14,373	$16,520	$17,305
29888	Arthrosopic Aided ACL Recon.	$2,491	$15,681	$18,023	$18,879
26055	Tendon Sheath Inc. Trigger Fin.	$654	$2,537	$2,916	$3,055
20680	Removal hardware/Deep	$970	$4,775	$5,488	$5,749
28285	Correction of hammertoe	$1,146	$3,502	$4,025	$4,216
64721	Neuroplasty/Carpal Tunnel	$742	$4,471	$5,139	$5,383
29826	Subacromial Decomp. Shoulder	n/a	$6,182	$7,105	$7,443
20670	Removal Implant/Superficial	$490	$1,793	$2,061	$2,159
28296	Mitchell/Chevron Bunionectomy	$1,146	$9,236	$10,616	$11,120
25111	Excision of Ganglion/ Wrist	$654	$2,686	$3,087	$3,234
29827	Arthrosc/Shoulder with R.C. Rep.	$2,491	$10,875	$12,499	$13,093
27680	Tedonlysis/Extensor/Ankle	$1,146	$4,613	$5,302	$5,554
64718	Neuroplasty/Cranial Nerve	$742	$5,581	$6,415	$6,719
29806	Arthrosc/Shoulder Surg. Capsulo	$2,491	$14,520	$16,689	$17,482
29880	Arthroscope,Knee with Menisec.	$1,146	$14,373	$16,520	$17,305
28288	Ostectomy, Partial Exos./Condyle.	$1,146	$1,716	$1,972	$2,066
SERVICE: PAIN MANAGEMENT					
			Average Gross Charge		
CPT	**Descriptor**	**2017 Medicare Allowable**	**CY 2017 Current**	**CY 2020_ Year 1**	**CY 2021__ Year 2**
64483	Anesth./Steroid, Transforam. Inj.	$325	$2,090	$2,402	$2,516
64484	Inj. Anes/Steroid Epidural, Ad Lev	n/a	$1,045	$1,201	$1,259
62323	Injection/Lumbar-Sacral caudle	$258	$2,090	$2,402	$2,516
62321	Inj. Single Cervical/Thoracic	$258	$2,090	$2,402	$2,516
64494	2nd level Facet/Paravertebral	n/a	$1,045	$1,201	$1,259
64495	3rd level Facet/Paravertebral	n/a	$1,045	$1,201	$1,259
G0260	Si Joint Injection	n/a	$1,624	$1,867	$1,955
64491	2nd level Facet - Cervical/Thorac.	n/a	$1,045	$1,201	$1,259

Source: Clinic Administration. 4.75% average annual increase.

6.A. Discuss how projected utilization rates will be sufficient to support the financial performance. Indicate when the project's financial breakeven is expected and demonstrate the availability of sufficient cash flow until financial viability is achieved.

This facility is already exceeding financial breakeven. When moved approximately 100 feet to its new MOB location on adjoining land, it will continue to exceed breakeven. As demonstrated in the Projected Data Chart, there will be positive cash flow in Year One and thereafter.

Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For all projects, provide financial information for the corporation, partnership, or principal parties that will be a source of funding for the project.

Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility. NOTE: Publicly held entities only need to reference their SEC filings.

See Attachment Section B-Economic Feasibility-6A.

B. Net Operating Margin Ratio – Demonstrates how much revenue is left over after all the variable or operating costs have been paid. The formula for this ratio is: (Earnings before interest, Taxes, and Depreciation/Net Operating Revenue).

Utilizing information from the Historical and Projected Data Charts please report the net operating margin ratio trends in the following table:

	2nd Yr Previous to Current Yr	1st Yr Previous to Current Yr	Current Yr	Projected Yr 1	Projected Yr 2
Net Operating Margin Ratio	0.24	0.25	0.26	0.26	0.27

C. Capitalization Ratio (Long-term debt to capitalization) – Measures the proportion of debt financing in a business's permanent (Long-term) financing mix. This ratio best measures a business's true capital structure because it is not affected by short-term financing decisions. The formula for this ratio is: (Long-term debt/(Long-term debt + Total Equity (Net assets)) x 100).
For the entity (applicant and/or parent company) that is funding the proposed project please provide the capitalization ratio using the most recent year available from the funding entity's audited balance sheet, if applicable. The Capitalization Ratios are not expected from outside the company lenders that provide funding.

Long-term debt	$ 109,721
Equity	$1,861,026
Long-term debt Plus Equity	$1,970,747
Capitalization Ratio	$109,721 / $1,970,747 X 100 = 5.568% (low)

7. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid and medically indigent patients will be served by the project. Additionally, report the estimated gross operating revenue dollar amount and percentage of projected gross operating revenue anticipated by payor classification for the first year of the project by completing the table below.

Applicant's Projected Payor Mix, Year 1		
Payor Source	**Projected Gross Operating Revenue**	**As a Percent of Total Revenue**
Medicare/Medicare Managed Care	$17,548,406	17.2%
TennCare/Medicaid	$11,229,644	11.0%
Commercial/Other Managed Care	$68,274,107	67%
Self-Pay	$180,582	.18%
Charity Care	$0	0
Other	$4,671,545	4.6%
Total	$101,904,284	100%

Note: Entries are rounded.

8. Provide the projected staffing for the project in Year 1 and compare to the current staffing for the most recent 12-month period, as appropriate. This can be reported using full-time equivalent (FTE) positions for these positions. Additionally, please identify projected salary amounts by position classifications and compare the clinical staff salaries to prevailing wage patterns in the proposed service area as published by the Department of Labor & Workforce Development and/or other documented sources.

Please see the staffing table on the following page.

Table B-Economic Feasibility-8: Campbell Clinic Surgery Center Current and Projected Staffing (Amended on Second Supplemental Responses 12-27-17)				
Position Classification	**Existing FTEs (NA)**	**Projected FTEs (Yr 1)**	**Average Annual Salary (Contractual Rate)**	**Tennessee Mean Salary**
A. Direct Patient Care Positions				
Registered Nurse	22.00	44.00	$66,560	$58,410
Certified Surgical Technologist	5.00	10.00	$47,840	$40,680
Certified Nurse's Assistant/Transportation Aide	0.00	2.00	$33,280	$23,850
Total Direct Patient Care Positions	27.00	56.00		
B. Non-Patient Care Positions				
Administrator	1.00	1.00	$150,000	NA
Business Office Manager	1.00	1.00	$66,000	$67,630
Materials Management	1.00	1.00	$48,500	NA
Biller/Coder	1.00	2.00	$45,760	$38,270
Scheduling/ Insurance Verifier	1.00	2.00	$42,600	$37,370
Collector	1.00	2.00	$45,760	$36,340
Receptionist	1.00	1.00	$49,210	$27,300
Housekeeper	1.00	1.00	$37,440	$33,030
Total Non-Patient Care Positions	8.00	11.00		
Total Employees (A + B)				
C. Contractual Staff				
Business Support Staff	1.00	1.00		NA
Total Staff (A+B+C)	36.00	68.00		

Source: Clinic management; US Department of Labor Bureau of Labor Statistics, May 2016 Estomates for Tennessee

9. Describe all alternatives to this project that were considered and discuss the advantages and disadvantages of each alternative, including but not limited to:

A. Discuss the availability of less costly, more effective and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, justify why not, including reasons as to why they were rejected.

B. Document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements.

In 2012, the Campbell Clinic Surgery Center received approval to add surgical capacity of this scope to its existing building through a combination of renovation and new construction. However, in 2015 several factors were identified which determined the initial alternative was less than optimal. These factors have been discussed in detail in three preceding sections of the application.

The alternative of using another provider for CCSC cases is not a viable alternative, based on the following considerations. Use of other providers' facilities would reduce the CCSC control of facility staff, supplies, equipment and scheduling. Use of other providers' facilities would complicate the CCSC's quality management processes, and its management of residency and fellowship training in an ASTC environment. Additionally, doing so would impose needless travel time burdens on the medical staff. And, other facilities' electronic medical records systems would not be the same as the one at the CCSC, creating inefficiencies in maintenance of a unified medical electronic record for all CCSC patients and staff.

The 2012 application stated that building another surgery center would be more costly than the expansion then being proposed. While true, the applicant and its architects have concluded that there are a number of other factors, cited previously in the application, which more than mitigate the cost differential.

Because of these factors, and by virtue of the availability of an existing ASTC being for sale, CCSC logically elected to obtain more capacity temporarily, via the acquisition of a second surgery center at another location closer to its Mississippi and Arkansas patients, and to continue with the longer-term plan for this proposed replacement facility on its Germantown campus.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (i.e., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, that may directly or indirectly apply to the project, such as transfer agreements or contractual agreements for health services.

The applicant has an emergency transfer agreement with Methodist LeBonheur Germantown Hospital. The applicant's physicians participate in educational and training programs of the University of Tennessee Medical School in Memphis; and they serve patients at Regional One Health, Methodist LeBonheur Children's Hospital, Methodist University Hospital, and Baptist Memorial Hospitals, as well as other Memphis hospitals.

2. Describe the effects of competition and/or duplication of the proposal on the health care system, including the impact to consumers and existing providers in the service area. Discuss any instances of competition or duplication arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

A. Positive Effects

This proposal will allow one of the area's most significant facilities to implement added surgical capacity that has already been approved--but in a way that will permit the Campbell Clinic to expand its physician practice office space, through repurposing an existing building on its campus, and to make better use of its entire campus.

The project will allow for redistribution of the CCSC's caseloads among its two ASTC facilities (Midtown and Germantown) to achieve optimal accessibility for patients and to concentrate operations more efficiently than at present.

The project will also provide an updated physical facility for CCSC patients choosing to have ambulatory surgery at its Germantown facility. The completely new facility in the new MOB will have improved surgical rooms, more recovery stations to avoid bottlenecks in the ORs, better support spaces, improved parking, and other advantages over the current surgery center building.

The replacement facility will realize these benefits without having to interrupt or impede performance of cases at the existing CCSC building, as would be necessary with an extended phased renovation and new construction associated with the initial expansion project.

B. Negative Effects

The applicant knows of no negative effects. The proposed surgical room capacity has been approved but unimplemented for several years. This is basically a plan to allocate the parent

organization's own patients between its two surgery center locations in a way that makes it possible to utilize an existing CCSC building for clinical expansions that are also needed on this campus.

Case projections do not contemplate moving surgeries from other providers' facilities, since virtually all ambulatory surgery cases performed by Campbell Clinic surgeons are performed only at the Campbell Clinic Surgery Center(s).

3.A Discuss the availability of an accessibility to human resources required by the proposal, including clinical leadership and adequate professional staff, as per the State of Tennessee licensing requirements and/or requirements of accrediting agencies such as the Joint Commission and the Commission on Accreditation of Rehabilitation Facilities.

The CCSC is an outstanding work environment and does not anticipate having difficulty filling the additional 32 positions. The facility has an excellent reputation and working environment, which has not failed to attract all required support staff as workloads increased over the years. The Clinic was recently honored to be selected locally as a "Top Workplace", indicative of the quality of the organization as an employer of choice in the Memphis metropolitan area.

B. Verify that the applicant has reviewed and understands all licensing and/or certification as required by the State of Tennessee and/or accrediting agencies such as the Joint Commission for medical/clinical staff. These include, without limitation, regulations concerning clinical leadership, physician supervision, quality assurance policies and programs, utilization review policies and programs, record keeping, clinical staffing requirements, and staff education.

The applicant so verifies.

C. Discuss the applicant's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

Campbell Clinic is an internationally recognized group of orthopaedic surgeons that has been a national and international leader in its field of surgery for over a century.

Dr. Willis Campbell, organized the first Department of Orthopaedic Surgery at the UT College of Medicine. Today the department is officially designated "the University of Tennessee-Campbell Clinic Department of Orthopaedic Surgery". All Campbell Clinic surgeons have faculty appointments in the department and work closely with its research scientists. As of January 2018, its active surgery center staff will consist of 47 Campbell Clinic practitioners, of whom 42 are orthopaedic surgeons and 5 are physiatrists (physical medicine and rehabilitation specialists). All are Board-certified except for recent recruits from residency, who are required to practice for two years prior to certification. The majority are subspecialty-trained and fellowship-trained.

Dr. Campbell and his successors at the Clinic wrote and continuously update the definitive reference work Campbell's Operative Orthopaedics, a textbook that is in worldwide use and is often refered to as "the Bible of orthopaedic surgery" (now in its 13th Edition in 7 languages). Campbell Clinic specialists established the orthopaedic residency program at UT College of Medicine, which has trained more than 450 orthopaedic surgeons. During their five-year program, orthopaedic residents work at the CCSC for multiple 3-month rotations for subspecialty training, under the supervision of Campbell Clinic surgeons. Their affiliated Campbell Foundation develops clinical leadership through funding and managing 12-month fellowship training programs for subspecialists, who train at the CCSC and at area hospitals such as the Regional One Health, LeBonheur Children's Hospital, and the Methodist and Baptist Healthcare systems.

4. Identify the type of licensure and certification requirements applicable and verify that the applicant has reviewed and understands them. Discuss any additional requirements, if applicable. Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure:

Board for Licensure of Healthcare Facilities, Tennessee Department of Health

Certification Type (e.g. Medicare SNF, Medicare LTAC, etc.):

Medicare Certification from CMS
TennCare (Medicaid) Certification from TDH

Accreditation (i.e. Joint Commission, CARF, etc.):

Accreditation Association for Ambulatory Health Care, Inc.

A. If an existing institution, describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility and accreditation designation.

The applicant is currently licensed in good standing by the Board for Licensing Health Care Facilities, certified for participation in Medicare and Medicaid/TennCare, and fully accredited by the Accreditation Association for Ambulatory Health Care (AAAHC).

B. For existing providers, please provide a copy of the most recent statement of deficiencies/plan of correction and document that all deficiencies/findings have been corrected, by providing a letter from the appropriate agency.

See Attachment Section B-Orderly Development-4B.

C. Document and explain inspections within the past three survey cycles which have resulted in any of the following state, federal, or accrediting body actions: suspension of admissions, civil monetary penalties, notice of 23- ore 90-day termination proceedings from Medicare or Medicaid/TennCare, revocation/denial of accreditation, or other similar actions.
(1) Discuss what measures the applicant has or will put in place to avoid similar findings in the future.

None of the preceding actions has occurred.

5. Respond to all of the following and for such occurrences, identify, explain, and provide documentation:

A. Has any of the following:
(1) Any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant);
(2) Any entity in which any person(s) or entity with more than 5% ownership (direct of indirect) in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%; and/or
(3) Any physician or other provider of health care, or administrator employed by any entity in which any person(s) or entity with more than 5% ownership in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than5%...

B. Been subjected to any of the following:
(1) Final Order or Judgment in a State licensure action;
(2) Criminal fines in cases involving a Federal or State health care offense;
(3) Civil monetary penalties in cases involving a Federal or State health care offense;
(4) Administrative monetary penalties in cases involving a Federal or State health care offense;
(5) Agreement to pay civil or monetary penalties to the Federal government or any State in cases involving claims related to the provision of health care items and services; and/or
(6) Suspension or termination of participation in Medicare or Medicaid/TennCare programs;
(7) Is presently subject of/to an investigation, regulatory action, or party in any civil or criminal action of which you are aware;
(8) Is presently subject to a corporate integrity agreement.

To the best of the applicant's knowledge, none of the persons or entities in question 5A above has been subjected to any of the sanctions listed in question 5B above.

6. Outstanding Projects:

a. Complete the following chart by entering information for each applicable outstanding CON by applicant or share common ownership; and
b. Provide a brief description of the current progress, and status of each applicable outstanding CON.

Outstanding Projects					
			Annual Progress Report*		
CON Number	Project Name	Date Approved	Due Date	Date Filed	Expiration Date
CN1208-040	Campbell Clinic Surgery Center Expansion	11-14-12	next due 1-1-18	last filed December 2017	1-1-2019
Status: Unimplemented. Valid under extensions from HSDA. To be surrendered upon approval of this CON application.					

* Annual Progress Reports – HSDA Rules require that an Annual Progress Report (APR) be submitted each year. The APR is due annually until the Final Project Report (FPR) is submitted (FPR is due within 90 ninety days of the completion and/or implementation of the project). Brief progress status updates are requested as needed. The project remains outstanding until the FPR is received.

7. Equipment Registry -- For the applicant and all entities in common ownership with the applicant.

a. Do you own, lease, operate, and/or contract with a mobile vendor for a Computed Tomography Scanner (CT), Linear Accelerator, Magnetic Resonance Imaging (MRI), and/or Positron Emission Tomographer (PET)?

No.

b. If yes, have you submitted their registration to HSDA? If you have, what was the date of the submission?

Not applicable.

c. If yes, have you submitted their utilization to HSDA? If you have, what was the date of the submission?

Facility	Date of HSDA Registration	Date of Last Utilization Submittal

Not applicable.

QUALITY MEASURES

Please verify that the applicant will report annually using forms prescribed by the Agency, concerning continued need and appropriate quality measures as determined by the Agency pertaining to the Certificate of Need, if approved.

The applicant so verifies.

SECTION C: STATE HEALTH PLAN QUESTIONS

T.C.A. §68-11-1625 requires the Tennessee Department of Health's Division of Health Planning to develop and annually update the State Health Plan (found at http://www.tn.gov/health/topic/health-planning). The State Health Plan guides the State in the development of health care programs and policies and in the allocation of health care resources in the State, including the Certificate of Need program. The 5 Principles for Achieving Better Health are from the State Health Plan's framework and inform the Certificate of Need program and its standards and criteria.

Discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan.

1. The purpose of the State Health Plan is to improve the health of the people of Tennessee.

This project is needed to continue to provide state-of-the-art orthopaedic and pain management care to patients of the Campbell Clinic, whose physicians are nationally and internationally recognized for their high quality of care and for for their role in education and training of orthopaedic specialists.

2. People in Tennessee should have access to health care and the conditions to achieve optimal health.

The project will improve the current accessibility of this Germantown campus to patients of the service area. At present, many patients who would prefer being served at the Germantown surgery center must be scheduled for service at the applicant's Midtown surgery center. Enlarging the surgical room complement at Germantown will enable more patients to be served at a state-of-the-art facility.

3. Health resources in Tennessee, including health care, should be developed to address the health of people in Tennessee while encouraging economic efficiencies.

The project obviously serves the healthcare needs of thousands of patients who seek care each year from Campbell Clinic's renowned staff of orthopaedic specialists.

4. People in Tennessee should have confidence that the quality of health care is continually monitored and standards are adhered to by providers.

This facility has long been a leader in quality of care for its patients. It is fully accredited and licensed, and is a teaching facility for physicians who rotate through its OR's learning to deliver high-quality, advanced orthopaedic surgical care processes.

5. The state should support the development, recruitment, and retention of a sufficient and quality health workforce.

The project will expand opportunities for physicians, patients, and supporting clinical staff to experience and learn from leading physicians in the orthopaedic field.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper that includes a copy of the publication as proof of the publication of the letter of intent.

The full page with the notice has been filed with this application. A photocopy of the publication follows this page.

NOTIFICATION REQUIREMENTS

(Applies only to Nonresidential Substitution-Based Treatment Centers for Opiate Addiction)

Note that T.C.A. §68-11-1607(c)(3) states that "…Within ten (10) days of filing an application for a nonresidential substitution-based treatment center for opiate addiction with the agency, the applicant shall send a notice to the county mayor of the county in which the facility is proposed to be located, the member(s) of the House of Representatives and the Senator of the General Assembly representing the district in which the facility is proposed to be located, and to the mayor of the municipality, if the facility is proposed to be located within the corporate boundaries of a municipality, by certified mail, return receipt requested, informing such officials that an application for a nonresidential substitution based treatment center for opiate addiction has been filed with the agency by the applicant."

Failure to provide the notifications described above within the required statutory timeframe will result in the voiding of the CON application.

Please provide documentation of these notifications.

Not applicable.

DEVELOPMENT SCHEDULE

T.C.A. §68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. **Complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.**
2. **If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph,* please state below any request for an extended schedule and document the "good cause" for such an extension.**

An extended schedule is not requested.

PROJECT COMPLETION FORECAST CHART

Assuming the Certificate of Need (CON) approval becomes the final HSDA action on the date listed in Item 1. below, indicate the number of days from the HSDA decision date to each phase of the completion forecast.

Projected Decision Date if Granted Consent Calendar Review: February 28, 2018

PHASE	DAYS REQUIRED	Anticipated Date (MONTH /YEAR)
1. Initial HSDA Decision Date	--	Feb 2018
1. Architectural & engineering contract signed	prior to Feb 2018	Nov 2017
2. Construction documents approved by TDH	90	May 2018
3. Construction contract signed	120	June 2018
4. Building permit secured	150	July 2018
5. Site preparation completed	240	Oct 2018
6. Building construction commenced	300	Dec 2018
7. Construction 40% complete	420	April 2019
8. Construction 80% complete	480	June 2019
9. Construction 100% complete	500	Oct 2019
10. * Issuance of license	530	Nov 2019
11. *Initiation of service	540	Nov 2019
12. Final architectural certification of payment	620	Feb 2019
13. Final Project Report Form (HF0055)	680	April 2020

*** For projects that DO NOT involve construction or renovation: please complete items 11-12 only.**

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

JOHN WELLBORN, being first duly sworn, says that he is the lawful agent of the applicant named in this application, that this project will be completed in accordance with the application to the best of the agent's knowledge, that the agent has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete to the best of the agent's knowledge.

John L Wellborn
SIGNATURE/TITLE
CONSULTANT

Sworn to and subscribed before me this 13th day of December (Month) 2017 (Year) a Notary Public in and for the County/State of DAVIDSON

JAMES M. DANFORTH
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY
My Commission Expires July 2, 2018

NOTARY PUBLIC

My commission expires July 2 (Month/Day), 2018 (Year).

INDEX OF ATTACHMENTS

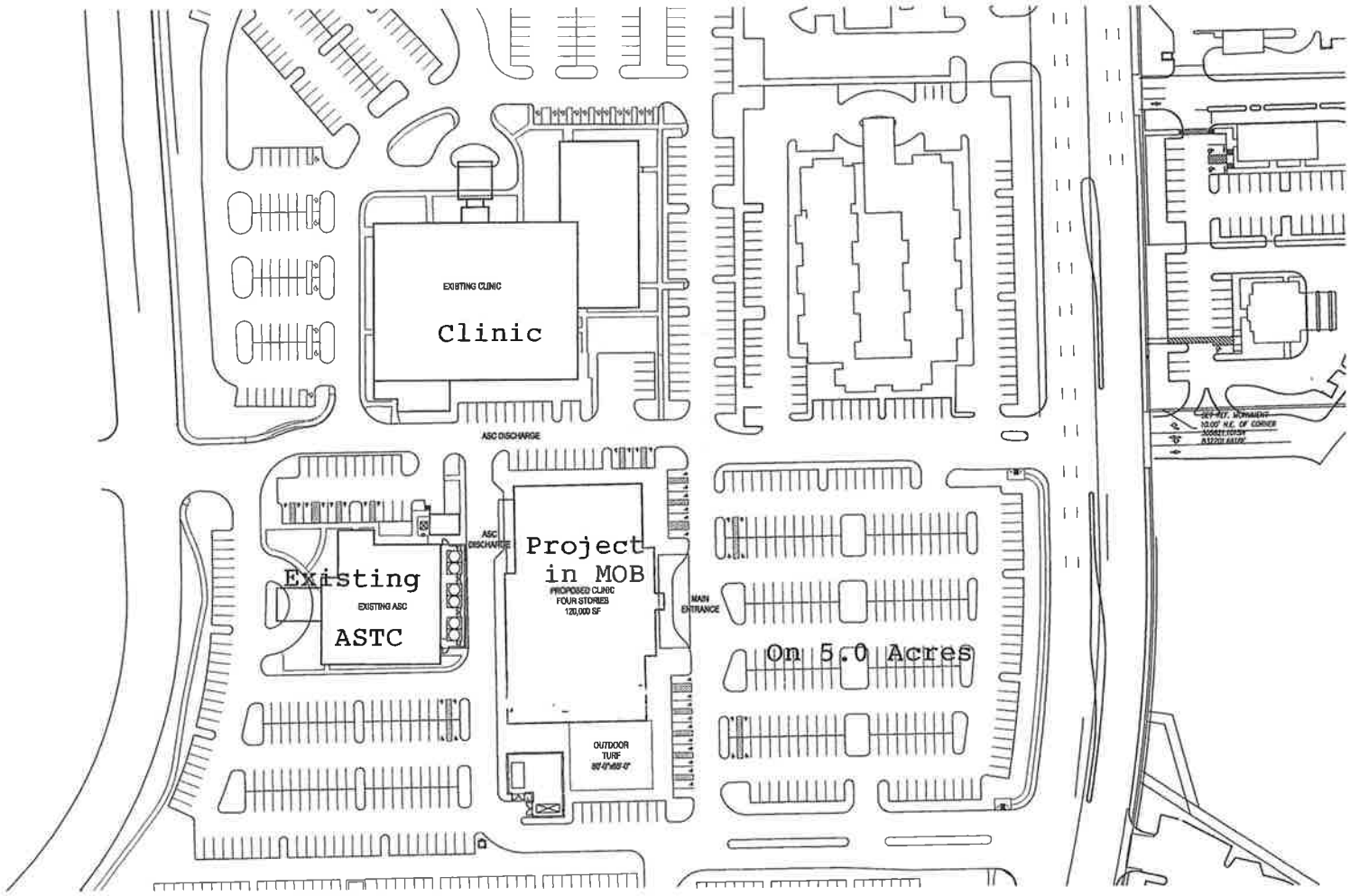
Section A

Section B

Other Attachments

A-6B(1)a-d

Plot Plan



18042

DAVIS PRICE ARCHITECTS

12.06.17

CAMPBELL CLINIC ORTHOPAEDICS

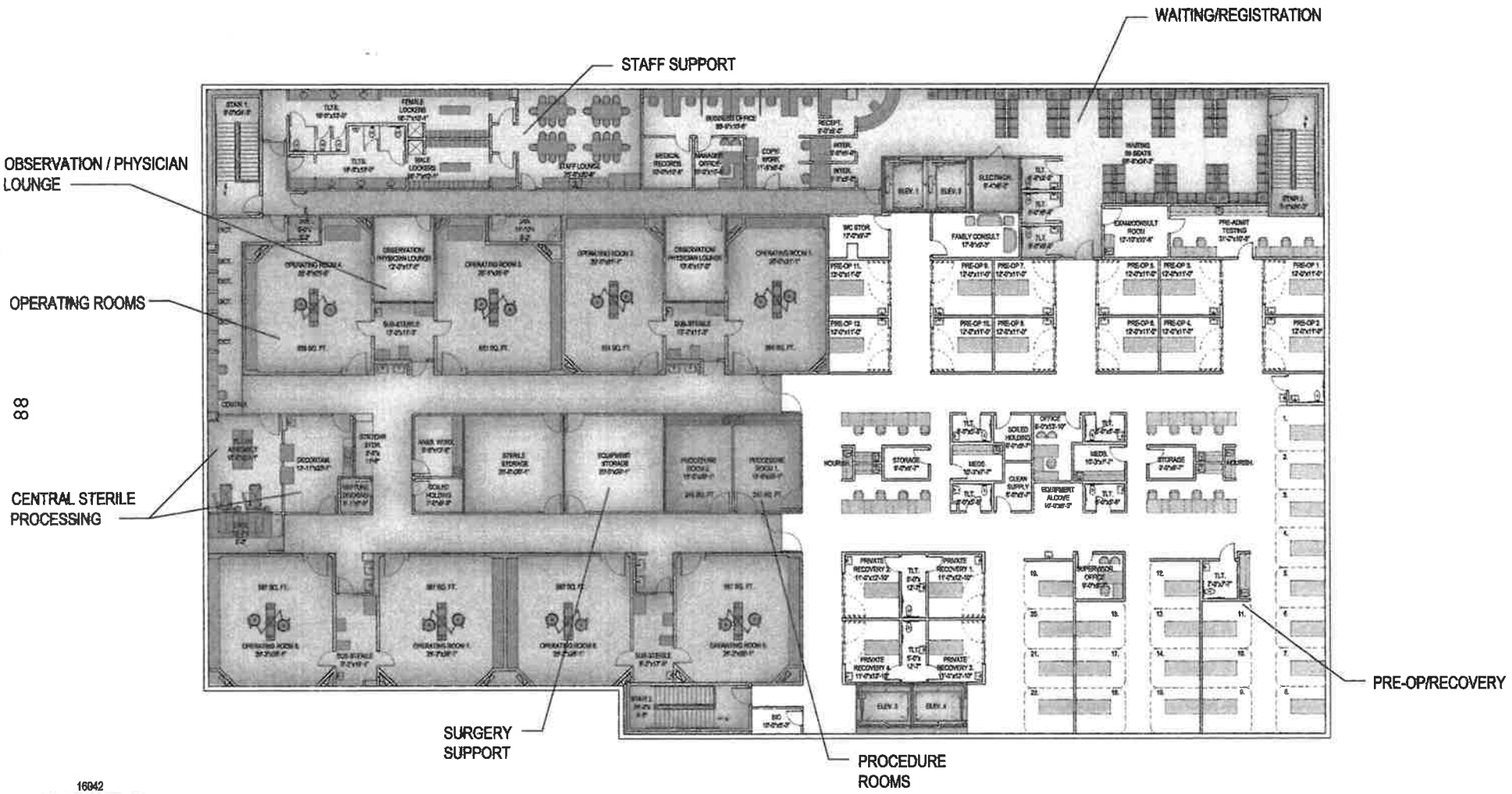
GERMANTOWN, TENNESSEE

0 25 50 100

CONCEPT SITE PLAN

A-6B(2)

Floor Plans



88

16042

DAVIS SYDES ARCHITECTS

12.08.17

CAMPBELL CLINIC ORTHOPAEDICS

GERMANTOWN, TENNESSEE

0 4 8 16 32

FOURTH FLOOR PLAN

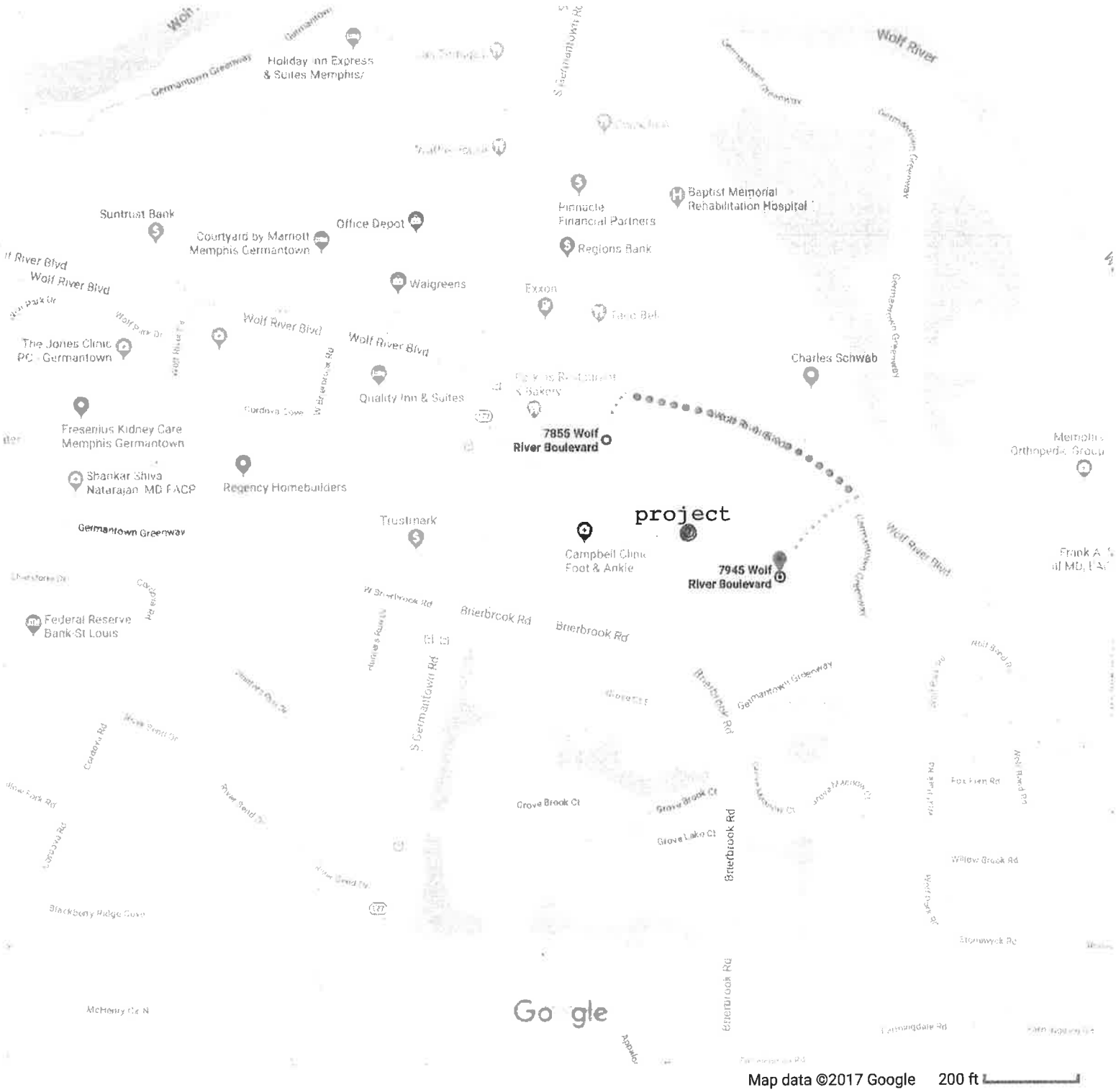
B-Need-3

Service Area Map

Google Maps

7855 Wolf River Boulevard, Germantown, TN to 7945 Wolf River Blvd, Germantown, TN 38138

Walk 0.2 mile, 4 min

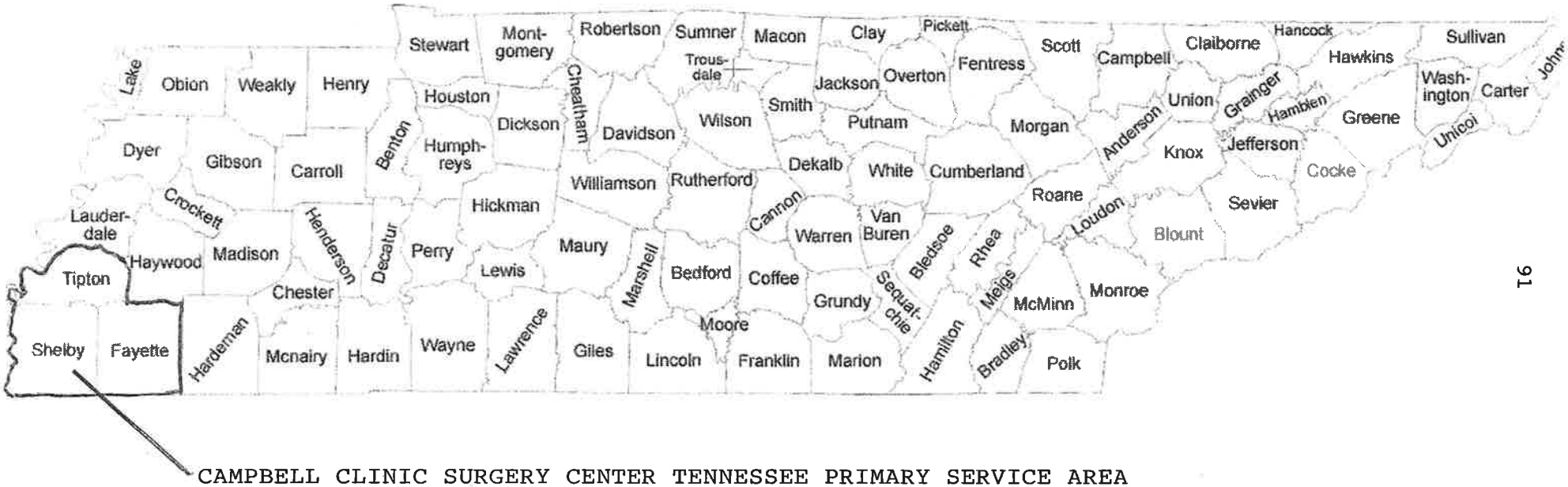


via Wolf River Blvd

Mostly flat

4 min

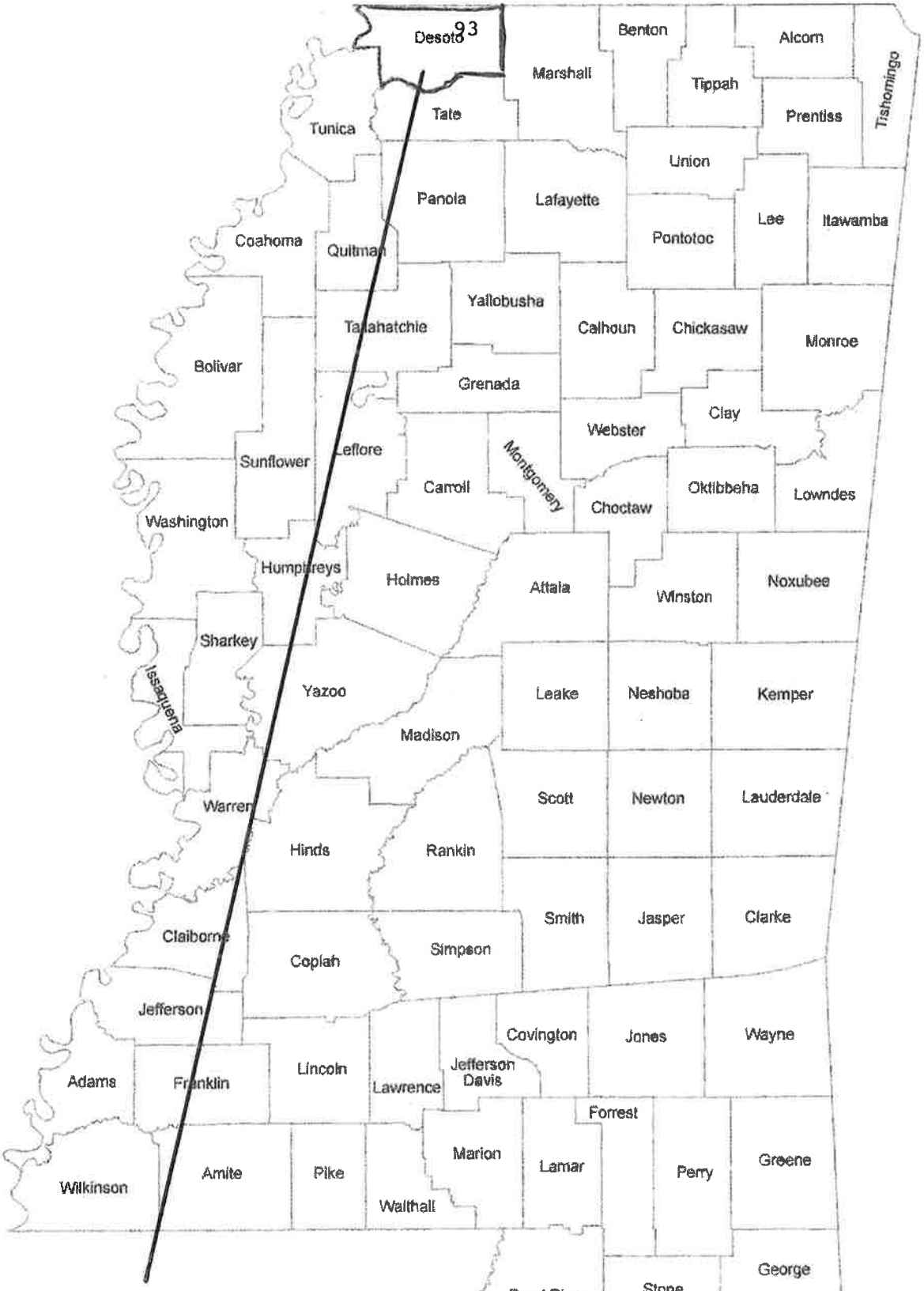
0.2 mile



CAMPBELL CLINIC SURGERY CENTER TENNESSEE PRIMARY SERVICE AREA

Get Printable Maps From:
Waterproof Paper.com

CAMPBELL CLINIC SURGERY CENTER
ARKANSAS
PRIMARY SERVICE AREA



CAMPBELL CLINIC SURGERY CENTER
MISSISSIPPI
PRIMARY SERVICE AREA

B-Economic Feasibility-1E

Documentation of Construction Cost Estimate

DAVIS STOKES COLLABORATIVE, P.C.

A · R · C · H · I · T · E · C · T · S

December 12, 2017

State of Tennessee
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37220

Re: **Campbell Clinic Ambulatory Surgery Center**
Germantown, TN
Architect's Project No: 16042

To Whom It May Concern:

Davis Stokes Collaborative, P.C. has been selected as the Architect for the proposed Campbell Clinic ASC which will include eight (8) Operating Rooms and two (2) Procedure Rooms within approximately 32,000 square feet. We have prepared the schematic design, and upon CON approval will prepare the construction documents, in accordance with applicable local, state and federal codes and the current AIA guidelines. The location plan, site plan and schematic design are included within the CON application being submitted by the Applicant.

This project will be design and built to conform with all applicable codes referenced below.

- **State of TN Department of Health Code Requirements:**
  2012 International Building Code (IBC)
  2012 LSC – NFPA – 101 Life Safety Code
  2012 International Fire Code (IFC)
  2012 International Plumbing Code (IPC)
  2012 International Mechanical Code (IMC)
  2009 International Energy Conservation Code (IECC)
  2011 National Electric Code (NEC)
  2012 International Fuel Gas Code
  2010 ADA Americans with Disabilities Act Accessibility Guidelines
  2010 FGI (formally AIA) Guidelines for Design and Construction of Hospital & Health Care Facilities.

- **City of Germantown, TN Code Requirements:**
  2015 International Building Code (IBC) with local amendments
  2009 International Energy Conservation Code (IECC)
  2008 National Electrical Code (NEC) with local amendments
  2009 International Plumbing Code (IPC) with local amendments
  2009 International Mechanical Code (IMC) with local amendments
  2009 International Fuel Gas Code with local amendments
  2009 ANSI/A117.1 Accessible and Usable Buildings and Facilities
  2012 LSC – NFPA – 101 Life Safety Code
  2009 International Fire Code with local Amendments

7121 Crossroads Blvd. Brentwood, TN 37027 Phone 615.726.0010 Fax 615.726.2090

In accordance with Certificate of Need Application Question 25(C), Davis Stokes Collaborative, P.C. is offering a response to the anticipated construction costs for this project. This estimate of cost is based on current construction market pricing adjusted for an anticipated construction start in the 4th quarter of 2018.

New Construction	32,000 gross square feet @ $265.00 per sq. ft.	$ 8,480,000.00
Site Preparation	Construction estimates	$ 1,000,000.00
TOTAL		**$ 9,480,000.00**

The detailed floor plans submitted with the application clearly define the program and function of the project.

Sincerely,

Willie O. Stokes
Tennessee License #017157

B-Economic Feasibility--2

Documentation of Funding/Financing Availability

FIRST TENNESSEE

December 6, 2017

Melanie M. Hill, Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson State Office Building, Ninth Floor
500 Deaderick Street
Nashville, Tennessee 37243

RE: Campbell Clinic Surgery Center Relocation Project

Dear Mrs. Hill:

This letter is to pro ide assurance that First Tennessee Bank is familiar with the plan of the Campbell Clinic, P.C. and the Campbell Clinic Surgery Center, LLC, to relocate the Surgery Center into a new Medical Office Building to be developed by the Campbell Clinic on adjoining land.

Upon submittal and approval of a formal financing application, we would expect to be able to provide both construction and permanent financing for this project. We understand that the financing required would be in the form of two separate loans, one to the Clinic in the approximate amount of $38,246,000 and a companion loan to the Campbell Clinic Surgery in the approximate amount of $6,970,000.

The loan terms on this project would of course reflect market conditions at the time of loan approval. Currently we would expect to finance this type of project at an interest rate of approximately 5.00%, for a term of ten years for the Clinic and approximately 4.15%, for a term of five years for the Surgery Center. Attached are two amortization schedules reflecting that estimate, one for each borrower.

We look forward to helping with the financing of this project.

Sincerely,

Margaret Yancey

Margaret Yancey
Senior Vice President

B-Economic Feasibility-6A

Applicant's Financial Statements

Income Statement
For The 11 Periods Ended 11/30/2017
GTWN

Campbell Clinic Surgery Center LLC (CSC)

	Period to Date	%	ORIGINAL PTD Budget	%	Year to Date	%	ORIGINAL YTD Budget	%
Revenue								
Gross Patient Revenue - Ortho GTWN	4,257,858	85%	3,482,948	81%	42,061,490	82%	40,576,344	81%
Gross Patient Revenue - Pain GTWN	761,049	15%	834,256	19%	9,318,714	18%	9,719,079	19%
Total Revenue:	5,018,907	100%	4,317,204	100%	51,380,204	100%	50,295,423	100%
Adjustments								
Contractual Adjustment - GTWN	3,863,156	77%	3,308,768	77%	39,590,197	77%	38,547,150	77%
Total Adjustments:	3,863,156	77%	3,308,768	77%	39,590,197	77%	38,547,150	77%
Gross Profit:	1,155,751	23%	1,008,436	23%	11,790,007	23%	11,748,273	23%
Expenses								
Personnel Expenses								
Salaries & Wages - Bus Office	42,207	1%	34,818	1%	407,542	1%	417,816	1%
Salaries & Wages - Clinical	175,700	4%	156,917	4%	1,909,303	4%	1,871,005	4%
Salaries & Wages - Gain/Bonus	0	0%	0	0%	125,896	0%	185,154	0%
Payroll Taxes	15,039	0%	17,381	0%	177,453	0%	191,191	0%
Personnel - Education	355	0%	1,000	0%	5,304	0%	11,000	0%
Total Personnel Expenses:	233,301	5%	209,116	5%	2,625,498	5%	2,676,166	5%
Clinical Expenses								
Clinic - Small Instruments	1,692	0%	4,667	0%	51,866	0%	50,237	0%
Clinic - Surgical Supplies	74,548	1%	93,593	2%	1,041,062	2%	1,029,523	2%
Clinic - Implants	244,212	5%	225,240	5%	2,508,481	5%	2,477,640	5%
Clinic - Oxygen/Medical Gas	2,646	0%	2,233	0%	25,011	0%	24,563	0%
Clinic - Anesthesia Supplies	5,433	0%	4,366	0%	49,125	0%	48,026	0%
Clinic - IV Solutions	3,514	0%	2,985	0%	45,639	0%	32,835	0%
Clinic - Anesthesia Pharmaceuticals	12,153	0%	12,182	0%	129,983	0%	134,002	0%
Clinic - Pharmaceuticals	17,643	0%	12,042	0%	152,119	0%	132,462	0%
Clinic - Sutures	10,227	0%	6,468	0%	69,626	0%	71,148	0%
Clinic - Xray Film & Supplies	0	0%	391	0%	4,314	0%	4,301	0%
Clinic - Disposable Packs	2,510	0%	23,584	1%	186,356	0%	259,424	1%
Clinic - Equip/Instr Rental	8,712	0%	0	0%	60,984	0%	0	0%
Clinic - Trash/Medical Waste	1,718	0%	11,569	0%	59,260	0%	127,259	0%
Clinic - Uniforms/Laundry	12,026	0%	18,524	0%	178,082	0%	203,764	0%
Clinic - Food Patient/Employee	4,952	0%	3,314	0%	36,140	0%	36,454	0%
Clinic - Equip R&M Contract	26,560	1%	15,702	0%	226,910	0%	172,722	0%
Clinic - Equip/Instr R&M	468	0%	2,542	0%	7,405	0%	27,962	0%
Clinic - Lab Services	102	0%	602	0%	2,515	0%	6,622	0%

Income Statement
For The 11 Periods Ended 11/30/2017
GTWN

Campbell Clinic Surgery Center LLC (CSC)

	Period to Date	%	ORIGINAL PTD Budget	%	Year to Date	%	ORIGINAL YTD Budget	%
Total Clinical Expenses:	429,206	9%	439,904	10%	4,833,778	9%	4,838,944	10%
Other Operating Expenses								
Personnel - Contract Employees	2,953	0%	1,667	0%	48,084	0%	18,337	0%
Facility - Rent/Lease	33,172	1%	38,397	1%	585,197	1%	422,367	1%
Facility - Property Taxes	28,797	1%	0	0%	28,797	0%	0	0%
Facility - Utilities	9,359	0%	9,664	0%	107,208	0%	106,304	0%
Facility - Cable	0	0%	109	0%	1,178	0%	1,199	0%
Facility - Trash	1,125	0%	1,099	0%	12,957	0%	12,089	0%
Facility - Telephone	487	0%	433	0%	5,777	0%	4,763	0%
Facility - Bldg.Repair/Maint	8,776	0%	8,596	0%	78,401	0%	94,545	0%
Facility - Janitor/Housekeeping	5,866	0%	5,354	0%	81,673	0%	58,894	0%
Facility - Security	0	0%	417	0%	5,083	0%	4,587	0%
Admin - Dues/Books/Subs	22	0%	380	0%	7,311	0%	4,180	0%
Admin - Licenses/Fees	893	0%	2,219	0%	32,617	0%	24,409	0%
Admin - Miscellaneous	0	0%	0	0%	300	0%	0	0%
Admin - Office Supplies	7,677	0%	3,705	0%	41,271	0%	40,755	0%
Admin - Rent Office Equip	1,750	0%	1,239	0%	17,169	0%	13,629	0%
Admin - Office Equip R&M	0	0%	13	0%	26	0%	143	0%
Admin - Minor Equipment	0	0%	74	0%	4,120	0%	814	0%
Total Other Operating Expenses:	100,877	2%	73,365	2%	1,007,169	2%	807,015	2%
Total Expenses:	763,384	15%	722,385	17%	8,466,445	18%	8,322,125	17%
Net Income from Operations:	392,367	8%	286,051	7%	3,323,562	6%	3,426,148	7%
Earnings before Income Tax:	392,367	8%	286,051	7%	3,323,562	6%	3,426,148	7%
Net Income (Loss):	392,367	8%	286,051	7%	3,323,562	6%	3,426,148	7%

Balance Sheet
As of 11/30/2017

Campbell Clinic Surgery Center LLC (CSC)

Assets				
Current Assets				
1010-000-00	Cash - Checking (FTB)	$	1,187,298.68	
1020-000-00	Cash - Refund (FTB)	$	2,500.00	
1090-000-00	Petty Cash	$	500.00	
1210-000-00	A/R - Patients	$	3,684,872.05	
1250-000-00	A/R Allowance - Cash Basis Adj	$	-2,371,197.47	
1299-000-00	Allowance Doubtful Accts	$	-1,260,349.15	
	Total Current Assets:			$ 1,243,624.11
Fixed Assets				
1510-000-00	Plant Prop & Eqpt - Med Eqpt	$	3,361,735.01	
1511-000-00	Plant Prop & Eqpt - A/D Med Eq	$	-3,084,116.63	
1520-000-00	Plant Prop & Eqpt - Off Eqpt	$	263,845.56	
1521-000-00	Plant Prop & Eqpt - A/D Off Eq	$	-222,130.74	
1525-000-00	Plant Prop & Eqpt - Software	$	46,816.00	
1526-000-00	Plant Prop & Eqpt - A/D Softwr	$	-46,816.00	
1530-000-00	Plant Prop & Eqpt - Off Furn	$	65,835.92	
1531-000-00	Plant Prop & Eqpt - A/D Off Fu	$	-65,835.92	
1540-000-00	Plant Prop & Eqpt - Sx Instru	$	811,534.91	
1541-000-00	Plant Prop & Eqpt - A/D Sx Ins	$	-811,446.11	
1550-000-00	Plant Prop & Eqpt - L/Hold Off	$	130,764.84	
1551-000-00	Plant Prop & Eqpt - A/D L/H Of	$	-110,683.14	
	Total Fixed Assets:			$ 339,503.70
	Total Assets:			$ 1,583,127.81
Liabilities				
2002-000-00	Accounts Payable Credit Card	$	-136,411.10	
2100-000-00	Payroll Liabilities Payable	$	-0.05	
2105-000-01	Insurance W/H (Dental)	$	1,903.56	
2105-000-03	Insurance W/H (Cancer)	$	18.20	
2105-000-05	Insurance W/H (Life)	$	-59.30	
2105-000-06	Insurance W/H (STD)	$	-183.67	
2105-000-08	Insurance W/H (Vision)	$	279.38	
2106-000-00	Other Payroll W/H	$	143.50	
2106-000-01	Other Payroll W/H (ID Shield/Legal)	$	84.27	
2250-000-00	Note Payable - Magna Bank MTSC Equip Loan	$	93,102.75	
	Total Liabilities:			$ -41,122.46
Equity				
3100-000-00	Contributed Capital	$	1,000.00	
3512-000-00	Distribution - Campbell Clinic	$	-39,495,871.55	
3900-000-00	Retained Earnings	$	36,188,361.81	
3900-000-00	Retained Earnings-Current Year	$	4,930,760.01	
	Total Equity:			$ 1,624,250.27
	Total Liabilities & Equity:			$ 1,583,127.81

Income Statement
For The 12 Periods Ended 12/31/2016
GTWN

Campbell Clinic Surgery Center LLC (CSC)

	Period to Date	%	ORIGINAL PTD Budget	%	Year to Date	%	ORIGINAL YTD Budget	%
Revenue								
Gross Patient Revenue - Ortho GTWN	4,700,903	87%	3,069,090	81%	45,581,179	82%	38,977,447	81%
Gross Patient Revenue - Pain GTWN	689,680	13%	734,374	19%	10,049,425	18%	9,326,554	19%
Total Revenue:	5,390,583	100%	3,803,464	100%	55,630,604	100%	48,304,001	100%
Adjustments								
Contractual Adjustment - GTWN	4,026,661	75%	2,890,633	76%	42,677,632	77%	36,711,040	76%
Total Adjustments:	4,026,661	75%	2,890,633	76%	42,677,632	77%	36,711,040	76%
Gross Profit	1,363,922	25%	912,831	24%	12,952,972	23%	11,592,961	24%
Expenses								
Personnel Expenses								
Salaries & Wages - Bus Office	37,409	1%	34,752	1%	406,417	1%	451,778	1%
Salaries & Wages - Clinical	175,951	3%	160,521	4%	2,060,198	4%	1,956,772	4%
Salaries & Wages - Gain/Bonus	85,550	2%	30,000	1%	234,921	0%	120,000	0%
Payroll Taxes	19,670	0%	14,880	0%	194,909	0%	193,438	0%
Personnel - Education	355	0%	1,000	0%	9,954	0%	12,000	0%
Total Personnel Expenses:	318,935	6%	231,153	6%	2,906,399	5%	2,733,988	6%
Clinical Expenses								
Clinic - Small Instruments	2,382	0%	3,393	0%	53,355	0%	40,716	0%
Clinic - Surgical Supplies	71,843	1%	76,812	2%	1,048,607	2%	921,744	2%
Clinic - Implants	139,275	3%	157,658	4%	2,452,502	4%	1,891,896	4%
Clinic - Oxygen/Medical Gas	314	0%	1,805	0%	24,177	0%	21,660	0%
Clinic - Anesthesia Supplies	2,287	0%	1,935	0%	47,988	0%	23,220	0%
Clinic - IV Solutions	1,439	0%	2,630	0%	32,684	0%	31,560	0%
Clinic - Anesthesia Pharmaceuticals	24,889	0%	8,205	0%	157,827	0%	98,460	0%
Clinic - Pharmaceuticals	18,107	0%	11,832	0%	155,960	0%	141,984	0%
Clinic - Sutures	3,312	0%	4,656	0%	71,713	0%	55,872	0%
Clinic - Xray Film & Supplies	0	0%	346	0%	4,568	0%	4,152	0%
Clinic - Disposable Packs	8,802	0%	19,936	1%	251,184	0%	239,232	0%
Clinic - Trash/Medical Waste	9,590	0%	6,386	0%	131,258	0%	76,632	0%
Clinic - Uniforms/Laundry	6,421	0%	14,004	0%	189,141	0%	168,048	0%
Clinic - Food Patient/Employee	1,742	0%	2,922	0%	36,460	0%	35,064	0%
Clinic - Equip R&M Contract	11,705	0%	12,842	0%	178,931	0%	154,104	0%
Clinic - Equip/Instr R&M	2,215	0%	1,815	0%	28,968	0%	21,780	0%
Clinic - Lab Services	0	0%	166	0%	8,267	0%	2,003	0%

Income Statement
For The 12 Periods Ended 12/31/2016
GTWN

Campbell Clinic Surgery Center LLC (CSC)

	Period to Date	%	ORIGINAL PTD Budget	%	Year to Date	%	ORIGINAL YTD Budget	%
Total Clinical Expenses:	303,323	6%	327,343	9%	4,881,590	9%	3,928,127	8%
Other Operating Expenses								
Personnel - Contract Employees	7,727	0%	1,667	0%	80,741	0%	20,004	0%
Facility - Rent/Lease	244,834	5%	33,000	1%	612,239	1%	396,000	1%
Facility - Property Taxes	69,325	1%	105,623	3%	107,838	0%	105,623	0%
Facility - Utilities	7,604	0%	11,564	0%	112,674	0%	138,768	0%
Facility - Cable	0	0%	125	0%	1,271	0%	1,500	0%
Facility - Trash	1,114	0%	1,298	0%	12,809	0%	15,576	0%
Facility - Telephone	70	0%	474	0%	5,044	0%	5,688	0%
Facility - Bldg Repair/Maint	6,740	0%	11,326	0%	101,014	0%	135,912	0%
Facility - Janitor/Housekeeping	9,345	0%	5,354	0%	68,324	0%	64,248	0%
Facility - Security	0	0%	3,399	0%	4,950	0%	40,788	0%
Admin - Dues/Books/Subs	-80	0%	356	0%	5,821	0%	4,272	0%
Admin - Licenses/Fees	-2,050	0%	3,502	0%	33,985	0%	42,024	0%
Admin - Office Furniture	0	0%	0	0%	105	0%	0	0%
Admin - Office Supplies	3,248	0%	4,748	0%	40,623	0%	56,976	0%
Admin - Rent Office Equip	193	0%	963	0%	18,979	0%	11,556	0%
Admin - Office Equip R&M	0	0%	208	0%	193	0%	2,496	0%
Admin - Minor Equipment	0	0%	191	0%	1,136	0%	2,292	0%
Total Other Operating Expenses:	348,070	6%	183,798	5%	1,205,745	2%	1,043,723	2%
Total Expenses:	970,328	18%	742,294	20%	8,993,734	16%	7,705,838	16%
Net Income from Operations:	393,594	7%	170,537	4%	3,959,238	7%	3,887,123	8%
Earnings before Income Tax:	393,594	7%	170,637	4%	3,959,238	7%	3,887,123	8%
Net Income (Loss):	393,594	7%	170,537	4%	3,959,238	7%	3,887,123	8%

Balance Sheet
As of 12/31/2016

Campbell Clinic Surgery Center LLC (CSC)

Assets					
Current Assets					
1010-000-00	Cash - Checking (FTB)	$	31,778.67		
1090-000-00	Petty Cash	$	500.00		
1210-000-00	A/R - Patients	$	3,788,990.70		
1250-000-00	A/R Allowance - Cash Basis Adj	$	-2,528,641.55		
1299-000-00	Allowance Doubtful Accts	$	-1,260,349.15		
	Total Current Assets:			$	32,278.67
Fixed Assets					
1510-000-00	Plant Prop & Eqpt - Med Eqpt	$	3,058,880.47		
1511-000-00	Plant Prop & Eqpt - A/D Med Eq	$	-2,822,284.73		
1520-000-00	Plant Prop & Eqpt - Off Eqpt	$	194,175.56		
1521-000-00	Plant Prop & Eqpt - A/D Off Eq	$	-176,293.19		
1525-000-00	Plant Prop & Eqpt - Software	$	46,816.00		
1526-000-00	Plant Prop & Eqpt - A/D Softwr	$	-46,816.00		
1530-000-00	Plant Prop & Eqpt - Off Furn	$	65,835.92		
1531-000-00	Plant Prop & Eqpt - A/D Off Fu	$	-65,835.92		
1540-000-00	Plant Prop & Eqpt - Sx Instru	$	811,534.91		
1541-000-00	Plant Prop & Eqpt - A/D Sx Ins	$	-811,229.08		
1550-000-00	Plant Prop & Eqpt - L/Hold Off	$	130,764.84		
1551-000-00	Plant Prop & Eqpt - A/D L/H Of	$	-108,805.11		
	Total Fixed Assets:			$	276,743.67
	Total Assets:			$	309,022.34
Liabilities					
2100-000-00	Payroll Liabilities Payable	$	-0.04		
2105-000-01	Insurance W/H (Dental)	$	3,019.11		
2105-000-03	Insurance W/H (Cancer)	$	18.20		
2105-000-08	Insurance W/H (Vision)	$	-482.40		
2150-000-00	Cafeteria Plan Payable	$	-499.98		
2250-000-00	Note Payable - Magna Bank MTSC Equip Loan	$	183,477.19		
	Total Liabilities:			$	185,532.08
Equity					
3100-000-00	Contributed Capital	$	1,000.00		
3512-000-00	Distribution - Campbell Clinic	$	-36,065,871.55		
3900-000-00	Retained Earnings	$	30,758,108.24		
3900-000-00	Retained Earnings-Current Year	$	5,430,253.57		
	Total Equity:			$	123,490.26
	Total Liabilities & Equity:			$	309,022.34

B-Orderly Development-4B

TDOH and Joint Commission Findings and Corrections

STATE OF TENNESSEE
DEPARTMENT OF HEALTH
WEST TENNESSEE HEALTH CARE FACILITIES
2975 C HIGHWAY 45 BYPASS
JACKSON, TENNESSEE 38305
731-984-9684

November 28, 2016

Ms. Cynthia Armistead
Campbell Clinic Surgery Center
1410 Brierbrook Road
Germantown, TN 38138

RE: Follow-up Life Safety Survey – 11/17/16

Dear Ms. Armistead:

On November 17, 2016, a surveyor from our office completed a revisit to verify that your facility had achieved and maintained compliance. Based on our revisit, we found that your facility had demonstrated compliance with deficiencies cited on the recertification life safety survey conducted on August 24, 2016.

If this office may be of any assistance to you, please do not hesitate to call the West Tennessee Regional Office at 731-984-9711.

Sincerely,

Kathy Zeigler, PHNC2

Kathy Zeigler, RN
Public Health Nurse Consultant 2

KZ/ab

STATE OF TENNESSEE
DEPARTMENT OF HEALTH
WEST TENNESSEE HEALTH CARE FACILITIES
2975 C HIGHWAY 45 BYPASS
JACKSON, TENNESSEE 38305
731-984-9684

IMPORTANT NOTICE – PLEASE READ CAREFULLY
(Receipt of this notice presumed to be 11/01/16 - date notice emailed/faxed.)

November 1, 2016

Ms. Cynthia Armistead
Campbell Clinic Surgery Center
1410 Brierbrook Road
Germantown, TN 38138

RE: Unacceptable Plan of Correction
Follow-up Life Safety Survey –9/26/16

Dear Ms. Armistead:

Enclosed is another copy of the statement of deficiencies as a result of your follow-up life safety survey that was completed on September 26, 2016. **Based upon §488.28, you were asked to submit an acceptable plan of correction for achieving compliance within (10) days from the date of that original letter (October 27, 2016). Corrective action must be achieved no later than forty-five (45) days from the date of the survey (November 10, 2016).** Your Plan of Correction was reviewed and found to be ***unacceptable*** due to the following reasons:

Tag K 130

- **Plan of correction must include the fire stop systems that will be used to repair the penetrations.**
- **Plan of correction must include how you will prevent the same deficiency from happening again.**

To be acceptable, a plan of correction must respond to each deficiency noted stating specifically how each deficiency will be corrected and give the approximate date of completion. It is essential for purposes of clarification, as well as your best interest, that your plan of correction specifies the exact measures which will be taken to correct each deficiency. As both the statements of deficiencies and plans of correction are subject to public disclosure, statements such as will comply by, will complete by, and already corrected will not be considered acceptable.

Your plan of correction must contain the following indicators:

- How the deficiency will be corrected.
- How the facility will prevent the same deficiency from recurring.
- The date the deficiency will be corrected.
- How the corrective action will be monitored to ensure that the deficient practice does not recur.
- Only titles can be used in your Plan of Corrections; no proper names.

Whenever possible, please contain your plan of correction responses to the form furnished to you. In the event you need additional space, please continue your response on your letterhead or on plain stationery with the name of your facility, address and other identifying information. The Plan of Correction must be **submitted on the enclosed CMS Form 2567, signed, titled and dated** by the administrator or representative before it is considered "acceptable".

An acceptable Plan of Correction is required in order for this office to recommend that your facility be licensed. If assistance is needed, please feel free to call me at 731-984-9711.

Sincerely

Kathy Zeigler, PHNC2

Kathy Zeigler, RN
Public Health Nurse Consultant II

KZ/ab

Enclosure

PRINTED: 11/01/2016
FORM APPROVED
OMB NO. 0938-0391

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	44C0001117	A. BUILDING 01 - MAIN BUILDING 01 B. WING _____	R 09/26/2016

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
CAMPBELL CLINIC SURGERY CENTER LLC	1410 BRIERBROOK ROAD GERMANTOWN, TN 38138

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
{K 130}	416.44(b)(1) MISCELLANEOUS OTHER LSC DEFICIENCY NOT ON 2786 This STANDARD is not met as evidenced by: National Fire Protection Association (NFPA) 101, 8.2.3.2.4.2 (2000 Ed.) Pipes, conduits, bus ducts, cables, wires, air ducts, pneumatic tubes and ducts, and similar building service equipment that pass through fire barriers shall be protected as follows: (1) The space between the penetrating item and the fire barrier shall meet one of the following conditions: a. It shall be filled with a material that is capable of maintaining the fire resistance of the fire barrier. b. It shall be protected by an approved device that is designed for the specific purpose. (2) Where the penetrating item uses a sleeve to penetrate the fire barrier, the sleeve shall be solidly set in the fire barrier, and the space between the item and the sleeve shall meet one of the following conditions: a. It shall be filled with a material that is capable of maintaining the fire resistance of the fire barrier. b. It shall be protected by an approved device that is designed for the specific purpose. (3) * Insulation and coverings for pipes and ducts shall not pass through the fire barrier unless one of the following conditions is met: a. The material shall be capable of maintaining the fire resistance of the fire barrier. b. The material shall be protected by an approved device that is designed for the specific purpose. (4) Where designs take transmission of vibration into consideration, any vibration isolation shall meet one of the following conditions: a. It shall be made on either side of the fire	{K 130}	K-130 The deficiency will be corrected by installing UL listed UL approved systems: 2nd page: a. UL/cUL System No. WL 1054 b. UL/cUL System # W-L-7130 c. UL/cUL System # W-L-2128 d. UL/cUL System # W-L-7130 e. UL/cUL System # W-L-1408 f. UL/cUL System # W-L-7130 3.a. - UL/cUL System # WL 1408 3.b. - UL/cUL System # W-L-1054 (cont. on page 2)	11/5/16

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE: Cynthia N. Armistead — TITLE: Administrator — (X6) DATE: 11-9-16

Any deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 11/01/2016
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	44C0001117	A. BUILDING 01 - MAIN BUILDING 01 B. WING	R 09/26/2016

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
CAMPBELL CLINIC SURGERY CENTER LLC	1410 BRIERBROOK ROAD GERMANTOWN, TN 38138

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
{K 130}	Continued From page 1 barrier. b. It shall be made by an approved device that is designed for the specific purpose. Based on observations, the facility failed to comply with the required life safety and building code regulations. The findings included: 1. Observation on 9/26/16 at 2:30 PM, revealed the following penetrations in the exterior mechanical room had unapproved fire stop: a. 2 conduits above the QA panel. b. a brace above the strut was sealed with unapproved fire stop. c. 5 metal conduits and 1 polyvinyl chloride conduit were not sealed with approved fire stop or methods in the corner above the B panel. d. the ceiling joist above the steam generator had unapproved fire stop. e. an unapproved drywall patch. f. the deck seam and ceiling joist above the exhaust panels had unapproved fire stop. National Fire Protection Association (NFPA) 101, 8.2.3.2.4.2 (2000 Ed.) 3. Observation on 8/24/16 at 8:55 AM, revealed the medical gas manifold room had the following penetrations in the 2 hour fire rated walls: a. an unapproved drywall patch. b. unapproved fire stop around the nitrogen line.	{K 130}	K-130 3.c. UL/cUL System # WL-1054 3.d UL/cUL System # WL-1243 3.e UL/cUL System # WL-1054 3.f. UL/cUL System # WL-1054 3.g. UL/cUL System # WL-1054 3.h. UL/cUL System # WL-1054 All above listed systems have been installed as of: 11/5/16 Campbell Clinic Surgery Center will monitor all workers performing maintenance or repair work on equipment and building to ensure (cont. on page 3)	11/5/16

PRINTED: 11/01/2016
FORM APPROVED
OMB NO. 0938-0391

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

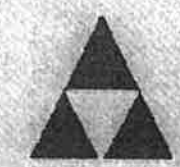
STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	44C0001117	A. BUILDING 01 - MAIN BUILDING 01 B. WING	R 09/26/2016

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
CAMPBELL CLINIC SURGERY CENTER LLC	1410 BRIERBROOK ROAD GERMANTOWN, TN 38138

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
{K 130}	Continued From page 2 c. unapproved fire stop around the oxygen line. d. unapproved fire stop around the metallic flex from the nitrogen panel. e. unapproved fire stop around multiple metallic conduits. f. the opposite wall had blue unapproved fire stop material used to seal a 1 1/2 inch conduit. g. a 2 1/2 inch sprinkler line had unapproved fire stop at wall. h. 3 penetrations had unapproved fire stop.. National Fire Protection Association (NFPA) 101, 8.2.3.2.4.2 (2000 Ed.) These findings were verified during the survey by the maintenance director and acknowledged by the administrator during the exit conference on 9/26/16.	{K 130}	The WORKING Notify Campbell Clinic Surgery Center representatives if rated firewall is penetrated. Further, to ensure rated firewalls are not compromised with unapproved firewall stops, Campbell Clinic Surgery Center representative will monitor all areas on a quarterly basis. In the event work is performed, each individual job will also be monitored	11/5/16

AAAHC - Standard Survey Report

2014 AAAHC Survey Report



Campbell Clinic Surgery Center, LLC

Organization ID: 22743

Germantown, Tennessee

March 30, 2015 to March 31, 2015

Information Regarding the AAAHC Survey Report

This *Survey Report* is used in conjunction with the *2014 Accreditation Handbook for Ambulatory Health Care*. This Survey Report reflects an evaluation of the organization's compliance with the standards as stated in the *Handbook*.

Evaluation of the Standards

SC -- Substantial Compliance indicates that the organization's current operations are acceptable and meet the standards. May require supporting comments to clarify or elaborate.
PC -- Partial Compliance indicates that a portion of the item is acceptable, but other areas need to be addressed. Requires supporting comments.
NC -- Non-Compliance indicates that the organization's current operations do not meet the standards. Requires supporting comments.
N/A -- Not Applicable indicates that the standard does not apply to the organization.

5250 Old Orchard Road, Suite 200
Skokie, IL 60077

Internet: www.aaahc.org
E-Mail: info@aaahc.org

114

References are made throughout this *Survey Report to the Life Safety Code*® and to NFPA 101®. Both are registered trademarks of the National Fire Protection Association, Quincy, Massachusetts.

The pronouns used in the Survey Report were chosen for the ease of reading. They are not intended to exclude reference to either gender.

Previous Deficiencies

Chapter	Standard	Previous Compliance Level	Previous Comment	Current Compliance Level	Current Comment	Deficiency Comment
2 - Governance II	B-3d	PC	DEA registration is not verified for the providers. They do have a copy of their DEA license in the credentialing file.	SC	DEA registrations noted for appropriate providers.	
2 - Governance II	B-6	PC	DEA is not verified.	SC	Information found in credentialing files was current.	
3 - Administration	B	PC	Adequate personnel policies are in place; however staff have two personnel files in addition to a separate health file. The two personnel files are unorganized, have missing documentation, and loose papers.	SC	Written personnel policies were noted and employees sign an acknowledgment of receiving and understanding of them.	
3 - Administration	B-3	PC	Orientation documentation is sketchy - although better for recent hires. There is not a comprehensive orientation check list dated and signed for most employees.	SC		
3 - Administration	B-7	PC	Neither job descriptions nor orientation documentation include compliance with the adverse incident reporting system.	SC		
4 - Quality of Care	G	PC	The center continues to have lab reports in the patients records which have not been signed by the ordering physicians.			
8 - Facilities	A-3	PC	The medical gases room is well vented with appropriate signage, however full and empty tanks are not identified. Tanks are chained in groups rather than individually per Medicare requirements.	SC		
8 - Facilities	B-5	PC	The center has outgrown the waiting room and needs additional	SC		

115

			toilets per staff remarks.			
8 - Facilities	B-7	PC	Parking is inadequate several days a week. The center is aware of this and is making plans accordingly.			
8 - Facilities	N	PC	The center has outgrown their capacity for storage, parking, and the waiting room. They are well into the planning stage for a new building or addition.	SC	While the main site is more limited in space especially for preoperative patients and families in the waiting room, the operating room and recovery areas are sufficient in size. Parking is also limited at the main location; however, patients can park at the adjacent Campbell Medical Clinic.	
12 - CLIA Waived Labs I	D	PC	There is not a clear process for identifying the number of results to be reviewed and whether the physician of record has reviewed the results prior to putting in the chart.	SC	The organization faxes pathology results to the physician/surgeon and on-site testing is reviewed before incorporating into the clinical record.	

116

Satellite Facilities Overview

Standard		Compliance Rating	Comments
1	Does the organization have more than one facility?	Yes	
2	If the organization has more than one facility, list those that are to be included in the accreditation.		Campbell Clinic Surgery Center LLC 1410 Brierbrook Rd/Germantown, TN 38138-2257 Campbell Clinic Surgery Center LLC- Midtown 255 S. Pauline Memphis, TN 38104 Campbell Clinic Surgery Center, LLC Campbell Clinic Surgery Center Midtown
3	List the names and addresses of the satellite location that were reviewed.		Campbell Clinic Surgery Center, LLC--main site 1410 Brierbrook Road Germantown, TN 38138 Campbell Clinic Surgery Center Midtown--satellite location 255 S Pauline Memphis, TN 38104
4	Provide a brief description of the satellite locations reviewed during the survey, including information on the quality of care rendered, clinical records, and facilities and environment. If applicable, also include information on pharmaceutical services, pathology and medical laboratory services, diagnostic and therapeutic imaging, occupational health services, surgical services, and anesthesia services.		The satellite location provides the same services as the main location including orthopedic and pain management. Both sites maintain their medical records, have integrated QI/risk management/peer review process and utilize many of the same orthopedic physicians. A contract with a different anesthesia group is the only difference between the satellite and main location.

117

Summary Table	Overall Chapter Level
1. Rights of Patients	SC
2. Governance	SC
I. General Requirements	SC
II. Credentialing and Privileging	SC
III. Peer Review	SC
3. Administration	SC
4. Quality of Care Provided	SC
5. Quality Management and Improvement	PC
I. Quality Improvement Program	PC
II. Risk Management	SC
6. Clinical Records and Health Information	SC
7. Infection Prev	SC
I. General Requirements	SC
II. Infection Safety	SC
8. Facilities and Environment	SC
9 - Anesthesia Services	SC
10. Surgical and Related Services	SC
I. Surgical - General	SC
II. Surgical - Laser	NA
III. Surgical - Lithotripsy Services	NA
11. Pharmaceutical Services	SC

12 - Pathology and Medical Lab Services	SC
I. CLIA-Waived Tests	SC
II. CLIA-Laboratories	NA
13. Diagnostic and Other Imaging Services	SC
14. Dental Services	NA
I. Dental Services	NA
II. Dental Home	NA
15 - Other Professional & Technical Services	NA
I. General Services	NA
II. Travel Medicine	NA
16 - Health Education and Health Promotion	NA
17 - Behavioral Health	NA
18. Teaching and Publication Activities	SC
19. Research Activities	NA
20. Overnight Care and Services	SC
21. Occupational Health Services	NA
22. Immediate/Urgent Care Services	NA
23. Emergency Services	NA
24. Radiation Oncology Treatment Services	NA
25. Medical Home	NA

Miscellaneous Information

Subject: RE: revised draft 2 of application--first of two emails
Date: Tuesday, December 12, 2017 at 12:40:38 PM Central Standard Time
From: Hernandez, George
To: John Wellborn, Phillips, Brant
CC: Thompson, Patti, Shumate, Daniel H., Armistead, Cindy

Rates of Total Joint Replacement Utilization in the U.S.: Future Projections to 2020-2040 Using the National Inpatient Sample

Jasvinder A. Singh and Shaohua Yu, University of Alabama at Birmingham, Birmingham, AL

Meeting: 2017 ACR/ARHP Annual Meeting

Date of first publication: September 18, 2017

Keywords: Arthroplasty, epidemiologic methods and health, Hip, Knee

SESSION INFORMATION

Date: Sunday, November 5, 2017

Session Title: Orthopedics, Low Back Pain and Rehabilitation Poster

Session Type: ACR Poster Session A

Session Time: 9:00AM-11:00AM

Background/Purpose: To project the future utilization of total hip and knee joint arthroplasty (THA, TKA).

Methods: We used the 2000-2010 U.S. National Inpatient Sample combined with Census Bureau data to develop projections for primary and revision THA and TKA from 2020 to 2040 using negative binomial regression.

Results: Predicted total annual counts for THA and TKA utilization in the U.S. by 2020, 2025, 2030 and 2040 are (in thousands): primary THA, 527 (95% CI, 495, 561), 765 (95% CI, 712, 823), 1087 (95% CI, 999, 1184) and 2040 (95% CI, 1828, 2081); primary TKA, 1611 (95% CI, 1531, 1699), 2675 (95% CI, 2516, 2847); 4306 (95% CI, 4008, 4632) and 10314 (95% CI, 9391, 11343); revision THA 56 (95% CI, 51, 61), 68 (95% CI, 61, 76), 82 (95% CI, 72, 93) and 204 (95% CI, 183, 228); and revision TKA, 153 (95% CI, 140, 168), 250 (95% CI, 226, 279), 399 (95% CI, 353, 452) and 1031 ((95% CI,

939, 1134) (Figures 1 and 2). The utilization is projected to increase for both females and males (**Figure 3**), all age groups and all race/ethnicities (data not shown).

Conclusion: Significant increases in THA and TKA utilization are expected in the future. A policy change may be needed to meet increased demand.

FIGURES

Figure 1. The projected annual total utilization of primary total hip arthroplasty (THA) and total knee arthroplasty (TKA) procedures (in thousands) in the United States from 2020 to 2040

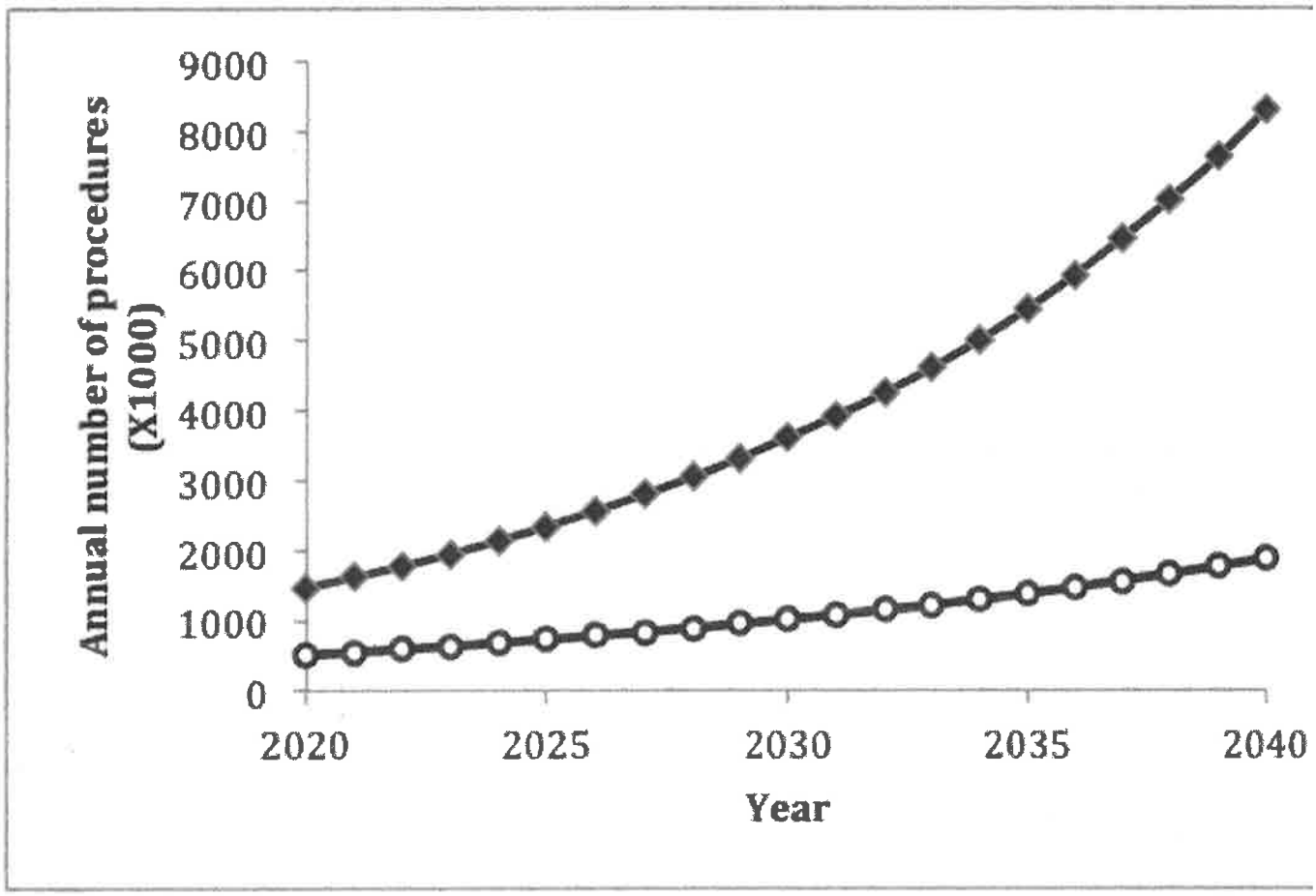


Figure 2. The projected annual total utilization of revision total hip arthroplasty (THA) and total knee arthroplasty (TKA) procedures (in thousands) in the United States from 2020 to 2040

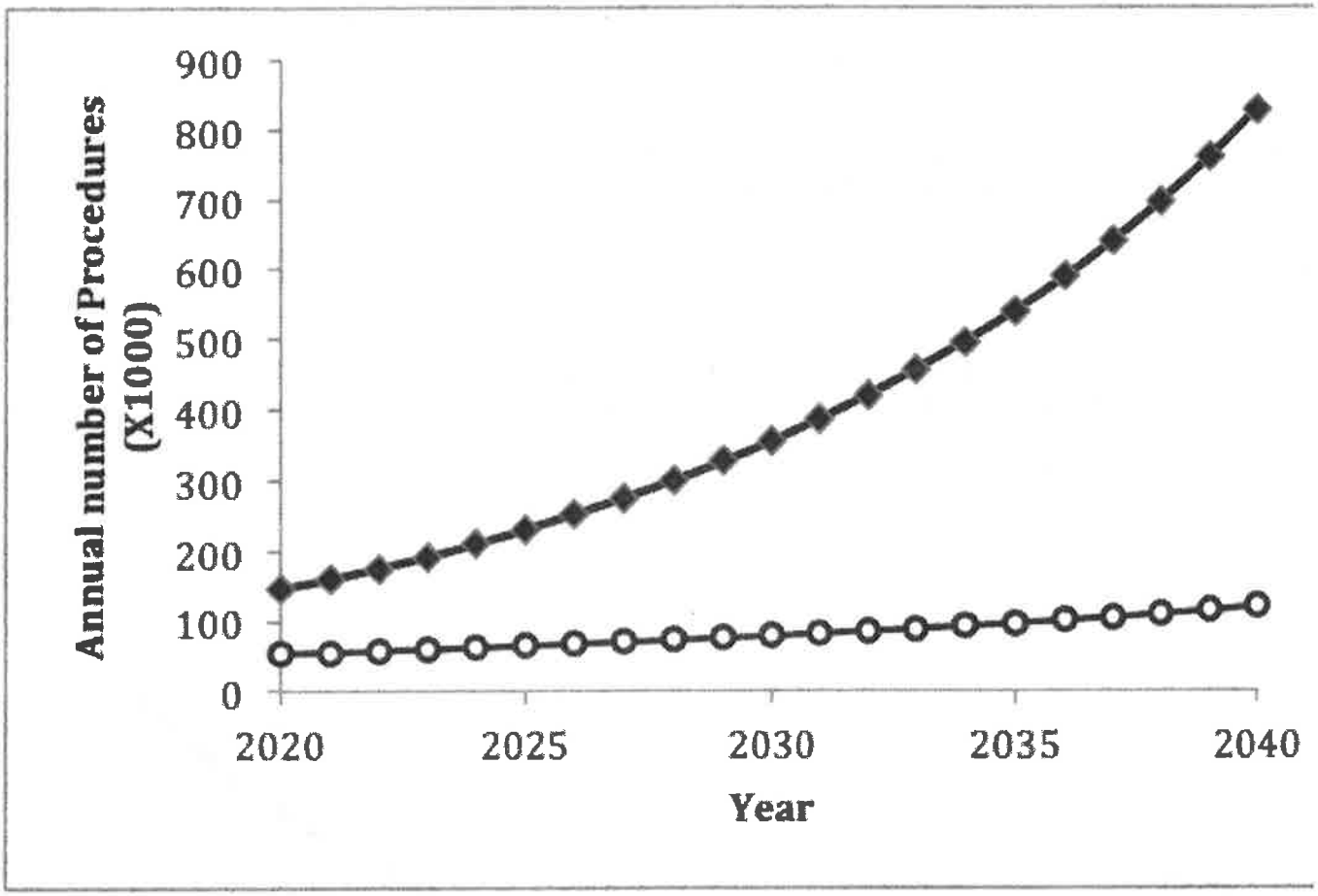
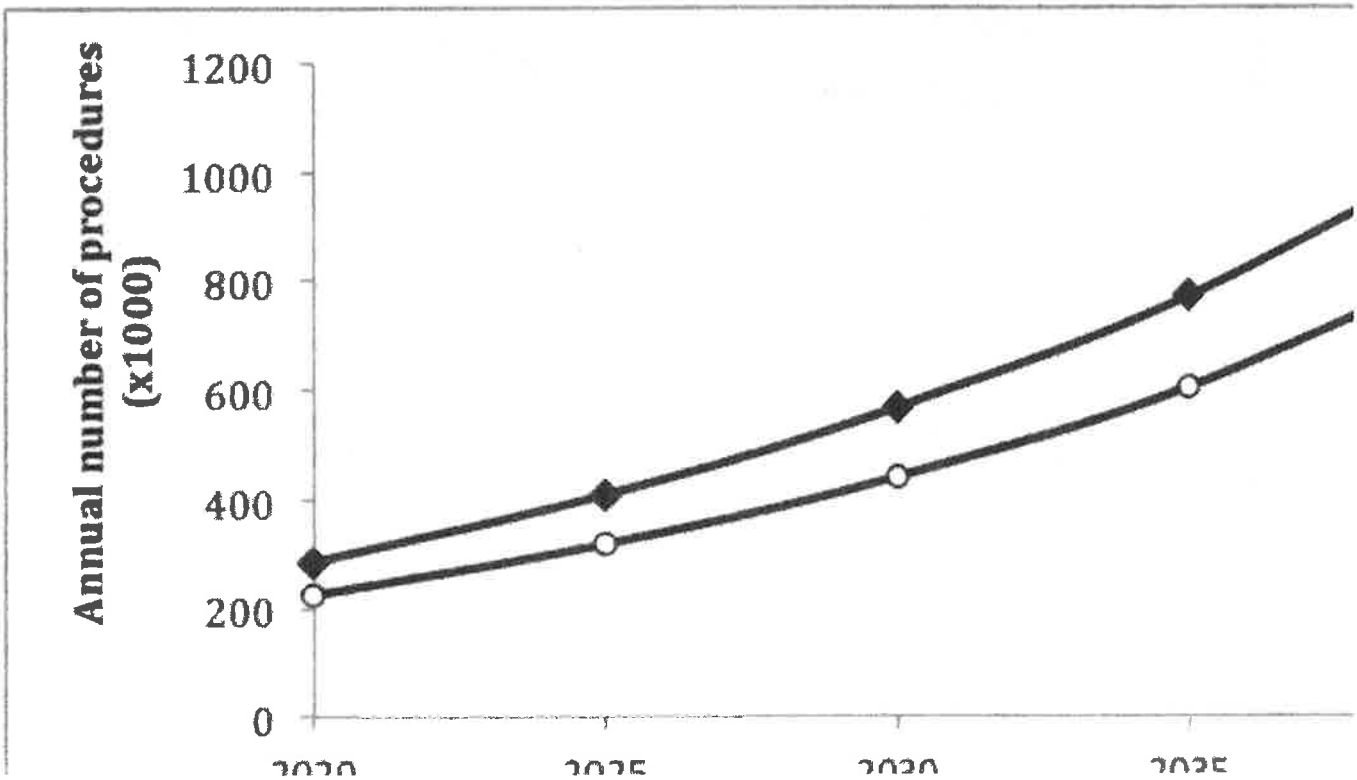
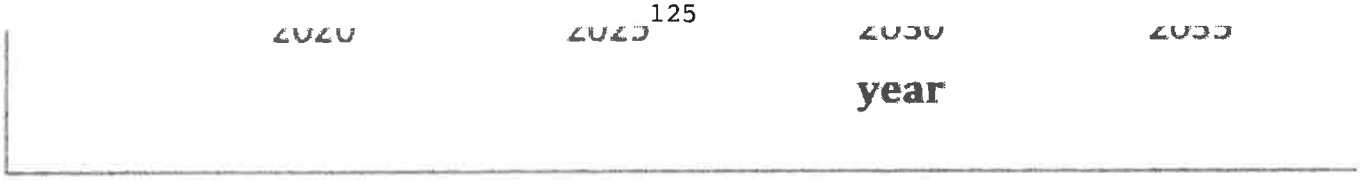


Figure 3. The projected annual total utilization of primary total Knee arthroplasty (TKA) procedures in the United States from 2020 to 2040 by sex





Disclosure: J. A. Singh, Takeda and Savient, 2,Savient, Takeda, Regeneron, Merz, Iroko, Bioiberica, Crealta/Horizon and Allergan pharmaceuticals, WebMD, UBM LLC and the American College of Rheumatology., 5,JAS serves as the principal investigator for an investigator-initiated study funded by Horizon pharmaceuticals through a grant to DINORA, Inc., a 501 (c)(3) entity., 9,JAS is a member of the executive of OMERACT, an organization that develops outcome measures in rheumatology and receives arms-length funding from 36 companies., 9,JAS is the editor and the Director of the UAB Cochrane Musculoskeletal Group Satellite Center on Network Meta-analysis., 9,Jas is a member of the American College of Rheumatology's (ACR) Annual Meeting Planning Committee (AMPC); Chair of the ACR Meet-the-Professor, Workshop and Study Group Subcommittee., 9,a member of the Veterans Affairs Rheumatology Field Advisory Committee, 9; **S. Yu**, None.

To cite this abstract in AMA style:

Singh JA, Yu S. Rates of Total Joint Replacement Utilization in the U.S.: Future Projections to 2020-2040 Using the National Inpatient Sample [abstract]. *Arthritis Rheumatol.* 2017; 69 (suppl 10). http://acrabstracts.org/abstract/rates-of-total-joint-replacement-utilization-in-the-u-s-future-projections-to-2020-2040-using-the-national-inpatient-sample/. Accessed December 12, 2017.

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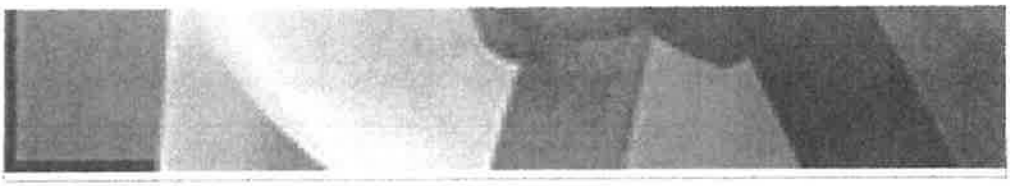


Total Knee Replacement Surgery By the Numbers

By 2030, total knee replacement surgeries are projected to grow 673% to 3.5 million procedures per year[1]
Nearly 1/2 of American adults develop knee osteoarthritis in at least one knee of their lifetime[2]
More than 90% of people who have knee replacement surgery experience a dramatic reduction of knee pain[3]
In 2008, 63% of all knee replacement operations were performed on women[4]
80% of osteoarthritis patients have some degree of movement limitation[5]
Job-related knee osteoarthritis costs $3.4 to $13.2 billion per year[6]
On average, knee replacement surgery direct costs = $20,704 but societal savings = $39,697[7]
Knee replacement surgery societal savings:

- 85% from increased earnings
- 15% from fewer work days and lower disability payments[8]

Lifetime societal net benefit for knee replacement patients averaged between $10,000-$30,000[9]
$12 billion in total societal savings over patients' lifetimes from 600,000 knee replacements performed in 2009[10]
Download as a PDF

Sources:

Cisternas MG, MGC Data Svcs, Murphy L, Croft JB, Helmick CG. Racial Disparities in Total Knee Replacement among

Medicare Enrollees — United States, 2000–2006. MMWR 2009;58(6):134-8

Centers for Disease Control and Prevention, National Center for Chronic Disease Prevention and Health Promotion. Spotlight Knee Replacement; http://www.cdc.gov/arthritis/resources/spotlights/kneereplacements.htm

Kurtz SM, Lau E, Ong K, et al. Future young patient demand for primary and revision joint replacement: national projections from 2010 to 2030. Clin Orthop Relat Res. 2009; 467:2606-2612. Total Knee Replacement Surgery By the Numbers ANationInMotion.org

2008 Nationwide Inpatient Sample, Healthcare Cost and Utilization Project (HCUP). Agency for Healthcare Research and Quality.

Centers for Disease Control and Prevention, Division of Adult and Community Health, National Center for Chronic Disease Prevention and Health Promotion. Osteoarthritis; http://www.cdc.gov/arthritis/basics/osteoarthritis.htm

Bitton, R. The Economic Burden of Osteoarthritis. Am J Manag Care. 2009; 15:S230-S235. http://www.ajmc.com/publications/supplement/2009/ A235_09sep_Osteoarthritis

Ruiz D, Koenig L, Dall T, et. al. The Direct and Indirect Costs to Society of Treatment for End-Stage Knee Osteoarthritis. J Bone Joint Surg Am., 2013; 95: 1473-80.

Ruiz D, Koenig L, Dall T, et. al. The Direct and Indirect Costs to Society of Treatment for End-Stage Knee Osteoarthritis. J Bone Joint Surg Am., 2013; 95: 1473-80.

Ruiz D, Koenig L, Dall T, et. al. The Direct and Indirect Costs to Society of Treatment for End-Stage Knee Osteoarthritis. J Bone Joint Surg Am., 2013; 95: 1473-80.

Ruiz D, Koenig L, Dall T, et. al. The Direct and Indirect Costs to Society of Treatment for End-Stage Knee Osteoarthritis. J Bone Joint Surg Am., 2013; 95: 1473-80.

4

Fast Facts

Half the patients now receiving knee replacements are younger than 65 years of age, and most of them are in the workforce.
Study found lifetime societal savings of about $12 billion from the more than 600,000 total knee replacement surgeries performed each year in the U.S.
Demand for total knee replacement surgery is expected to exceed 3 million by the year 2030, which could total $60 billion in lifetime societal savings from patients receiving the treatment that year alone.
The full results of the study are available in the August 21 issue of the *Journal of Bone and Joint Surgery.*

Read the full study here.

Click here to watch one patient's experience with total knee replacement.

Subject: RE: revised draft 2 of application--first of two emails
Date: Tuesday, December 12, 2017 at 12:37:28 PM Central Standard Time
From: Hernandez, George
To: John Wellborn, Phillips, Brant
CC: Thompson, Patti, Shumate, Daniel H., Armistead, Cindy

Projections of primary and revision hip and knee arthroplasty in the United States from 2005 to 2030.

Kurtz S[1], Ong K, Lau E, Mowat F, Halpern M.
Author information

Abstract

BACKGROUND:

Over the past decade, there has been an increase in the number of revision total hip and knee arthroplasties performed in the United States. The purpose of this study was to formulate projections for the number of primary and revision total hip and knee arthroplasties that will be performed in the United States through 2030.

METHODS:

The Nationwide Inpatient Sample (1990 to 2003) was used in conjunction with United States Census Bureau data to quantify primary and revision arthroplasty rates as a function of age, gender, race and/or ethnicity, and census region. Projections were performed with use of Poisson regression on historical procedure rates in combination with population projections from 2005 to 2030.

RESULTS:

By 2030, the demand for primary total hip arthroplasties is estimated to grow by 174% to 572,000. The demand for primary total knee arthroplasties is projected to grow by 673% to 3.48 million procedures. The demand for hip revision procedures is projected to double by the year 2026, while the demand for knee revisions is expected to double by 2015. Although hip revisions are currently more frequently performed than knee revisions, the demand for knee revisions is expected to surpass the demand for hip revisions after 2007. Overall, total hip and total knee revisions are projected to grow by 137% and 601%, respectively, between 2005 and 2030.

CONCLUSIONS:

These large projected increases in demand for total hip and knee arthroplasties provide a quantitative basis for future policy decisions related to the numbers of orthopaedic surgeons needed to perform these procedures and the deployment of appropriate resources to serve this need.

PMID:

17403800

Subject: RE: revised draft 2 of application--first of two emails
Date: Tuesday, December 12, 2017 at 12:34:31 PM Central Standard Time
From: Hernandez, George
To: John Wellborn, Phillips, Brant
CC: Thompson, Patti, Shumate, Daniel H., Armistead, Cindy

Total joint arthroplasty poised to see incredible growth in the coming decades

Douglas W. Jackson, MD, asks Steven M. Kurtz, PhD, and Kevin L. Ong, PhD, four questions about the projected rise in demand for joint arthroplasty.

Orthopedics Today, August 2007
Douglas W. Jackson, MD

Projections on future joint arthroplasty demands have not been accurate in the past because many factors may be unseen at the time a prediction is made. For example, the advent and impact of arthroscopic surgery led to a significant increase in the number of surgeries performed by orthopedic surgeons over what that was anticipated.

SEE ALSO

New primary care delivery approaches could reduce projected...

Substantial physician shortage expected over next decade

New report finds risk of optometrist shortage

This month's *4-Questions* takes on the anticipated increase in joint arthroplasty procedures over the next 25 years. To provide us with data and special insight, I turned to Steven M. Kurtz, PhD, and Kevin L. Ong, PhD, to answer specific questions related to this projected increase in demand for orthopedic surgeons doing joint arthroplasty.

Douglas W. Jackson, MD: What is the projected demand for primary and revision total hip and knee replacement in the United States by 2030?

Steven M. Kurtz, PhD, and Kevin L. Ong, PhD: By 2030, the demand for primary total hip arthroplasty (THA) is estimated to grow annually from 209,000 to 572,000 and the demand for primary total knee arthroplasty (TKA) is projected to

grow from 450,000 to 3.48 million procedures.

Total hip revisions are projected to grow from 40,800 in 2005 to 96,700 in 2030.

Total knee revisions are projected to grow from 38,300 in 2005 to 268,200 in 2030.

Jackson: What percentages of growth does this represent from the current level?

Kurtz and Ong: The projected demand change for primary THA is an increase of 174% and the demand for primary TKA is a 673% increase by the year 2030. The rise in total hip revision procedures will be a 137% increase by that time.

If the trends that have been observed from 1990-2003 are to continue, TKA revisions are projected to grow by 601%. The demand for hip revision procedures is projected to double by the year 2026, while the demand for knee revisions is expected to double by 2015.

From: John Wellborn [mailto:jwdsg@comcast.net]
Sent: Tuesday, December 12, 2017 11:53 AM
To: Hernandez, George; Phillips, Brant
Cc: Thompson, Patti; Shumate, Daniel H.; Armistead, Cindy
Subject: Re: revised draft 2 of application--first of two emails

It is important to know before fling who owns the MT license now: the PC or the CCSC LLC

John Wellborn
Development Support Group
4219 Hillsboro Road, Suite 210
Nashville, TN 37215
615-665-2022 office
615-438-6709 mobile

From: George Hernandez <ghernandez@campbellclinic.com>
Date: Tuesday, December 12, 2017 at 11:34 AM
To: Brant Phillips <bphillips@bassberry.com>, John Wellborn <jwdsg@comcast.net>
Cc: "Thompson, Patti" <pthompson@campbellclinic.com>, "Shumate, Daniel H." <dshumate@campbellclinic.com>, "Armistead, Cindy" <carmistead@campbellsurg.com>
Subject: RE: revised draft 2 of application--first of two emails

If this is an issue that must be resolved prior to filing, then we need Cindy Reisz and/or Buddy McDaniel to clarify. However, I'm not certain how critical the question is being asked relative to the current CON

Supplemental #A1 (Copy)

Campbell Clinic Surgery Center

CN1712-038

DSG Development Support Group

December 22, 2017

Phillip M. Earhart, HSD Examiner
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: CON Application #1712-038
Campbell Clinic Surgery Center

Dear Mr. Earhart:

This letter responds to your recent request for additional information on this application. The items below are numbered to correspond to your questions. They are provided in triplicate, with affidavit.

1. Section A, Executive Summary, Item 3.A. Page 3

Table Section A-3A (1) on the bottom of page 3 is noted. Please define Class C operating rooms and Class A procedure rooms.

This refers to Tennessee requirements based on 2010 AIA standards. Class A surgical rooms have a minimum area of 150 SF; Class B have a minimum area of 250 SF; Class C have a minimum of 400 SF. The surgical rooms designated as "procedure rooms" in the application and floor plans are 243 SF. The larger orthopedic surgical rooms in this project are Class C, 544-633 SF in size. There are numerous other highly technical definitions and characteristics of these classes of rooms, relating to clinical processes allowable in each (levels of anesthesia, etc), but the room sizes were what the applicant was referencing in the table.

2. Section A, Executive Summary, Item 3.A. (2) Page 4

a. Please provide a brief overview of the Campbell Clinic, P.C.

Campbell Clinic has been a State, national and international leader in orthopaedics since 1910. The Clinic established both the Department of Orthopaedic Surgery and the Orthopaedic Residency program at UT College of Medicine at Memphis, and all Campbell Clinic surgeons hold faculty appointments in the University of Tennessee-Campbell Clinic Department of Orthopaedic Surgery and work closely with UT research programs.

4219 Hillsboro Road, Suite 203
Nashville, TN 37215
jwdsg@comcast.net
Tel 615.665.2022
Fax 615.665.2042

Since the Campbell Clinic offers one of the most well-respected orthopedic surgery residency programs in the country, there is always a complement of strong prospective candidates for employment with the clinic, following completion of the physician's respective residency, and generally fellowship training. Oftentimes, current residents are recruited and sign employment agreements with the Campbell Clinic during the course of their residency, to be effective following residency program graduation and completion of fellowship. Two (2) of the three orthopedic surgeons who began employment during 2017 fell in this category – they were hired during their residency program at Campbell Clinic, completed their orthopedic surgery residency, enrolled in a subspecialty fellowship program – and began employment with the clinic after completion of fellowship. The third orthopedic surgeon hired during 2017 was not a Campbell Clinic orthopedic surgery resident, but was a pediatric orthopedic fellow at the Campbell Clinic, and began employment immediately following completion of fellowship.

The ASC surgical cases resulting from additional physicians will be accommodated at the two (2) ASCs which Campbell Clinic owns and operates, one located in Germantown (this application) and one located in Midtown (Medical Center District) Memphis. Projections of annual caseload increases in the application took into account new cases that additional physicians would bring to the surgery center.

3. Section A, Executive Summary, Item 3.B (g). Rationale for Approval Page 7.

a. The applicant mentions Mid-town Surgery Center as a source of cases in the future. However, please clarify if the name of Mid-town Surgery Center is listed as Campbell Clinic Surgery Center Mid-town in the 2016 Joint Annual report. Also please clarify if Campbell Clinic Surgery Center Mid-town has the same ownership as the applicant.

Yes, the formal name for Midtown Surgery Center is Campbell Clinic Surgery Center.

Yes, the ownership of Campbell Clinic Surgery Center-Midtown is the same as that of the applicant.

Campbell Clinic currently has 47 physicians. The Clinic maintains physician offices across the Memphis metropolitan area, including Germantown, Collierville, Cordova, Memphis (Medical Center or Midtown), and Southaven, MS. In addition, the physicians from Campbell Clinic maintain medical staff privileges at multiple hospitals, including those located from Collierville, to Germantown, to East Memphis, to the Medical Center of Memphis. As a result, the physicians are physically spread across the metropolitan geographic area.

b. It appears the Campbell Clinic has increased physician ownership from 42 physicians in 2010 to 47 physicians in 2017. Is there a plan to add additional physicians? If so, how will the new site handle additional surgeries from those physicians?

Campbell Clinic has developed a comprehensive strategic plan, and annually updates it's physician manpower projections, a key element of this plan. The most recent projection provides for continued recruitment over the next 5 + year timeframe. A portion of the new physician manpower plan is related to replacement of existing clinic physicians who are approaching normal retirement age. The clinic typically brings a new physician on board one to two years prior to retirement of an outgoing physician, depending on the applicant pool and availability. Other elements of the manpower projections look at other (non-Campbell Clinic) orthopedic surgeons in the Memphis metro area, and their respective ages and potential for retirement. It is not unusual for a "new to the area" orthopedic surgeon to join Campbell Clinic.

The majority of the recruitment of additional physicians is based on a subspecialty-by-subspecialty analysis of the industry trends and volume projections for orthopedic surgery procedures. These estimates, coupled with the demographic and market share growth, guide the formulation of the Campbell Clinic's manpower projections, and subsequent recruitment strategy. For example, over the next 5-year timeframe, the clinic has plans to recruit between ten (10) and twelve (12) new physicians, which include a complement covering six (6) different subspecialties. The majority of these new physicians will likely be shareholder track positions, and accordingly, the ownership number is expected to increase, in a similar pattern to what occurred over the 2010 to 2017 time period. A substantial increase is anticipated over and above the number of retiring physicians.

b. What is the distance from Mid-town Surgery Center to the proposed ASTC site?

Google Maps lists a driving distance of 13.9 miles via Walnut Grove Road, and 19.7 miles via I-40 and I-240.

c. How much of a factor is distance for the applicant in capturing future surgical cases from Mid-town Surgery Center?

The surgeons and pain management providers based at the Germantown office location will save approximately 1 hour per day in drive time by being able to perform their cases at the Germantown location.

As noted in the application, Campbell Clinic maintains physician offices across the Memphis metropolitan area, including Germantown, Collierville, Cordova, Memphis (Medical Center or Midtown), and Southaven, MS. In addition, the physicians from Campbell Clinic maintain medical staff privileges at multiple hospitals, including those located from Collierville, to Germantown, to East Memphis, to the Medical Center of Memphis. As a result, the physicians are physically spread across the metropolitan geographic area, and therefore distance for capturing cases at /of Campbell Clinic Surgery Center – Midtown is somewhat a function of specific staffing patterns, and the location of the respective physicians "home office" and/or primary hospital facility.

Currently, office space at Germantown is at a premium, so some physicians are based or scheduled at other offices, but will likely be reassigned a "home office" at Germantown once the new MOB is completed.

Accordingly, our projections incorporate volume projections reflecting this factor, but it is also anticipated that over the course of additional time, the utilization at of Campbell Clinic Surgery Center – Midtown will also increase, particularly in view of the projected physician manpower delineated in the response to Supplemental Question #2 above.

5. Section C, Need, Page 23

It is noted in Table B the utilization of the applicant's 8 ORs will exceed the utilization % of available minutes by 14.7%. Please clarify if the applicant has space available in the proposed new ASTC facility to add additional ORs if needed.

The first thing to note is that this percentage reflects available O.R. time in a standard 40-hour workweek. The applicant could extend the surgical schedule beyond the normal workday for some operating rooms.

Another option in the future may be to convert procedure rooms. The two (2) procedure rooms in the proposed ASC will be located adjacent to each other, and if there were a change in the industry and payors such that pain management procedures were no longer permitted, or reimbursed for, in the ATSC setting, these two procedure rooms could be combined and merged into one (1) additional operating room. This would be subject to CON and any other regulatory or licensure requirements and approvals applicable at that time.

Finally, to avoid extending the surgical schedule at Germantown, the applicant has the option of scheduling increased caseloads at its Midtown facility, which will have more available capacity than at Germantown, based on present projection scenarios.

6. Section B, Need Item F, Page 34

a. Please provide surgical case projections by specialty using the table below:

Specialty	# of Surgeons	Year 1 OR Cases	Year 2 OR Cases
Orthopedic	45	5,144	5.453
Pain Management	5	4,998	5,198
Total	**50**	**10,142**	**10,651**

b. Are there future plans to expand into other specialties?

There are no plans to expand into other specialties other than those currently provided at Campbell Clinic.

4. Section A, Applicant Profile, Item 12. Square Footage and Cost per Square Footage Chart, Page 17

a. Please clarify how the applicant derived at 32,000 SF in the Square Footage and Cost per Square Footage Chart when the lease lists the facility as 34,560 SF.

The facility will renovate and occupy 32,000 SF of building space on the fourth and first floors. The lease, like most leases, grosses this up by a small percentage to 34,560 SF of "rentable" square feet, which reflects the use of common areas (parking, corridors, elevators) that are not within the applicant's own premises. The factor used in this case was 8% of occupied space.

The Cost Per Square Footage Chart pertains only to the area occupied by the applicant, i.e, 32,000 "usable" square feet. That is the only part of the building directly attributable to the project.

b. Please clarify how the applicant calculated a total cost of $13,940,000 in the Square Footage and Cost per Square Footage Chart.

The chart reflects the total construction cost for the project. The applicant added together (a) the estimated cost of constructing its portion of the shell building, and (b) the estimated cost of finishing out its portion of the shell building.

Specifically: The project occupies one of four floors of the building. The developer's construction cost for the shell building is going to be $18,000,000 (120,000 SF @ $150 PSF for shell stage of completion). One-fourth of that (i.e., one of four floors) is $4,500,000. The applicant added to this the $9,440,000 cost of build-out of 32,000 SF at $295 PSF, for the ASC space. These totaled $13,940,000.

7. Section B, Economic Feasibility, Item A. Project Costs Chart, Pages 39 and 40

a. The calculation of the filing fee is incorrect (used $15.75/$1,000 project cost rather than $5.75/$1,000). Please correct and submit a replacement page 39.

b. The Project Cost Chart is noted. However, please clarify line B.3 which notes "FMV of unimproved land 5.0 acres?"

Following this page is a revised page 39R correcting the typographical error. Also attached following that is a revised Project Cost Chart, page 40R, with the referenced note removed (it was an artifact from an earlier version of the chart).

8. Section B, Economic Feasibility, Item C. (Historical Data Chart) Page 27

a. The Historical Data Chart shows no Provision for Charity Care. Please explain.

The applicant's surgeons serve charity patients at area hospitals. In Shelby County (as in other multi-hospital counties), it is not the norm for surgery centers to undertake to provide significant charity care. Reimbursement for surgical cases has long been much higher for hospitals than for surgery centers, in part because there is a community expectation that hospitals provide needed charity care.

Multispecialty Ambulatory Surgery Centers in Shelby County	2016 Gross Revenues	2016 Reported Charity Care	2016 Charity Percent of Gross Revenues
Baptist Germantown Surgery Center	$18,990,762	$73,822	0.4%
East Memphis Surgery Center	$28,707,854	$0	0.0%
LeBonheur East Surgery Center II	$10,455,281	$0	0.0%
Memphis Surgery Center	$15,141,096	$0	0.0%
Methodist Surgery Center	$28,670,508	$0	0.0%
North Surgery Center	$16,789,584	$0	0.0%
Surgery Center at St. Francis	$43,451,900	$76,969	0.2%
Campbell Clinic Surgery Center Germantown	$51,904,252	$0	0.0%
Campbell Clinic Surgery Center Midtown	$27,770,530	$0	0.0%

b. It is noted the 2016 Joint Annual Report for the applicant reflected $734 in Bad Debt. Please clarify the reason no provision for bad debt was included in the Historical Data Chart.

Attached following this page is a revised Historic Data Chart, page 44R. consistent with the 2015 and 2016 Joint Annual Reports.

9. Section B. Economic Feasibility Item D (Projected Data Chart) Page 47

a. The Projected Data Chart shows no Provision for Charity Care or Provision for Bad Debt. Please explain.

Please see the response to question 8a above, with respect to why charity care is not projected.

The bad debt should have been shown in the Projected Data Chart. Attached following this page is a revised chart, page 47R, showing this in the same percentage of gross revenues that has been historically experienced on average, i.e., .0015% of gross charges.

b. Please clarify the rent expense in line 4.b.in the Projected Data Chart paid to non-affiliates in Year One and Two.

Part of the rent expense is for four storage units in Cordova, Tennessee. The remainder is from equipment leases of arthroscopy equipment, which the applicant's auditors have classified as rent. Increases are projected in that amount as the number of new operating rooms come into service at the new location.

10. Section B. Economic Feasibility Item F. (1) Page 52

a. Please clarify if the applicant meant to state in the "Projected Data Chart there will be positive cash flow in Year One and Year Two" rather than in the Project Cost Chart.

Yes, that was the intention. Attached after this page is a revised Page 52R correcting that.

b. The provided unaudited financial documents are noted. However, please provide a balance sheet that provides both the current assets and current liabilities.

The second following page begins an income statement and balance sheet for the applicant, for Q1-Q3 2017. This is the most up-to-date available. The list of liabilities are all current except the long-term Note payable at the end of the list. The current liabilities total -$53,372.35.

With current assets at $1,545,500.94, and a negative current liability of -$53,372.35, the applicant has a current ratio of more than 31:1.

c. Please provide copies of Campbell Clinic Surgery Center's balance sheet and income statement from the most recent reporting period and the most recent audited financial statements with accompanying notes, if applicable.

The most recent CCCSC balance sheet and income statement are attached after this page. They are for the first three quarters of CY2017.

Attached at the end of this letter--due to its bulk--are audited financial statements for 2015-2016 for Campbell Clinic Holdings, PC, an umbrella organization that encompasses several organizations, including the Clinic and both Surgery Centers. Separate statements for the Clinic and the Surgery Center can be found within it. The applicant's statements are the document's last two pages, pages 27-28.

Supplemental #A1

Balance Sheet
As of 9/30/2017

December 27, 2017
4:13 PM
Campbell Clinic Surgery Center LLC (CSC)

Assets				
Current Assets				
1010-000-00	Cash - Checking (FTB)	$ 1,489,767.84		
1020-000-00	Cash - Refund (FTB)	$ 2,500.00		
1090-000-00	Petty Cash	$ 500.00		
1210-000-00	A/R - Patients	$ 3,408,898.67		
1250-000-00	A/R Allowance - Cash Basis Adj	$ -2,095,816.42		
1299-000-00	Allowance Doubtful Accts	$ -1,260,349.15		
	Total Current Assets:		$	1,545,500.94
Fixed Assets				
1501-000-00	Plant Prop & Eqpt - Bldg	$ 69,670.00		
1510-000-00	Plant Prop & Eqpt - Med Eqpt	$ 3,283,521.54		
1511-000-00	Plant Prop & Eqpt - A/D Med Eq	$ -3,016,283.32		
1520-000-00	Plant Prop & Eqpt - Off Eqpt	$ 194,175.56		
1521-000-00	Plant Prop & Eqpt - A/D Off Eq	$ -183,504.53		
1525-000-00	Plant Prop & Eqpt - Software	$ 46,816.00		
1526-000-00	Plant Prop & Eqpt - A/D Softwr	$ -48,808.78		
1530-000-00	Plant Prop & Eqpt - Off Furn	$ 65,835.92		
1531-000-00	Plant Prop & Eqpt - A/D Off Fu	$ -63,324.48		
1540-000-00	Plant Prop & Eqpt - Sx Instru	$ 815,317.72		
1541-000-00	Plant Prop & Eqpt - A/D Sx Ins	$ -811,450.93		
1550-000-00	Plant Prop & Eqpt - L/Hold Off	$ 130,764.84		
1551-000-00	Plant Prop & Eqpt - A/D L/H Of	$ -110,805.99		
	Total Fixed Assets:		$	371,923.55
	Total Assets:		$	1,917,424.49
Liabilities				
2002-000-00	Accounts Payable Credit Card	$ -62,496.52		
2100-000-00	Payroll Liabilities Payable	$ -0.04		
2105-000-01	Insurance W/H (Dental)	$ 2,405.30		
2105-000-03	Insurance W/H (Cancer)	$ 18.20		
2105-000-05	Insurance W/H (Life)	$ -52.56		
2105-000-06	Insurance W/H (STD)	$ -84.75		
2105-000-08	Insurance W/H (Vision)	$ -121.88		
2106-000-00	Other Payroll W/H	$ -15.00		
2106-000-01	Other Payroll W/H (ID Shield/Legal)	$ 13.42		
2150-000-00	Cafeteria Plan Payable	$ 2,121.39		
2151-000-00	Acct Payable - Campbell Clinic	$ 138.46		
2191-000-00	Pension Plan Pay - 401k W/H	$ 4,751.63		
2250-000-00	Note Payable - Magna Bank MTSC Equip Loan	$ 109,720.73	← ONLY L-TERM LIA BIL	
	Total Liabilities:		$	56,398.38
Equity				
3100-000-00	Contributed Capital	$ 1,000.00		
3512-000-00	Distribution - Campbell Clinic	$ -38,310,871.55		
3900-000-00	Retained Earnings-Current Year	$ 3,982,535.85		
3900-000-00	Retained Earnings	$ 36,188,361.81		
	Total Equity:		$	1,861,026.11
	Total Liabilities & Equity:		$	1,917,424.49

Supplemental #A1

Income Statement
For The 9 Periods Ended 9/30/2017

December 27, 2017
4:13 PM
Campbell Clinic Surgery Center LLC (CSC)

		Period to Date	% of Revenue	Year to Date	% of Revenue
Revenue					
4000-100-00	Gross Patient Revenue - Ortho GTWN	$ 3,689,264.97	52.93%	$ 33,933,455.91	52.46%
4000-200-00	Gross Patient Revenue - Ortho MTSC	$ 2,159,905.71	30.99%	$ 21,007,566.26	32.48%
4005-100-00	Gross Patient Revenue - Pain GTWN	$ 861,251.00	12.36%	$ 7,518,020.90	11.62%
4005-200-00	Gross Patient Revenue - Pain MTSC	$ 259,984.00	3.73%	$ 2,225,321.50	3.44%
	Total Revenue:	$ 6,970,405.68	100.00%	$ 64,684,364.57	100.00%
Adjustments					
4010-100-00	Contractual Adjustment - GTWN	$ 3,491,088.41	50.08%	$ 31,973,656.66	49.43%
4010-200-00	Contractual Adjustment - MTSC	$ 1,748,946.72	25.09%	$ 16,725,108.14	25.86%
4040-000-00	Other Revenue	$ -225.40	0.00%	$ -177,948.89	-0.28%
4050-000-00	Cash Basis Adjustment	$ 63,104.29	0.91%	$ -432,825.13	-0.67%
	Total Adjustments:	$ 5,302,914.02	76.08%	$ 48,087,990.78	74.34%
	Gross Profit:	$ 1,667,491.66	23.92%	$ 16,596,373.79	25.66%
Expenses					
Personnel Expenses					
6012-100-00	Salaries & Wages - Bus Office	$ 50,509.87	0.72%	$ 332,679.43	0.51%
6012-200-00	Salaries & Wages - Bus Office	$ 16,090.30	0.23%	$ 105,698.92	0.16%
6014-100-00	Salaries & Wages - Clinical	$ 236,035.86	3.39%	$ 1,576,117.54	2.44%
6014-200-00	Salaries & Wages - Clinical	$ 135,592.89	1.95%	$ 787,593.45	1.22%
6016-100-00	Salaries & Wages - Gain/Bonus	$ 0.00	0.00%	$ 93,249.26	0.14%
6016-200-00	Salaries & Wages - Gain/Bonus	$ 0.00	0.00%	$ 44,880.82	0.07%
6050-100-00	Payroll Taxes	$ 20,522.15	0.29%	$ 147,041.31	0.23%
6050-200-00	Payroll Taxes	$ 11,146.21	0.16%	$ 68,934.16	0.11%
6072-000-00	Employee Benefits - (H/D/L/D)	$ 31,105.22	0.45%	$ 265,196.64	0.41%
6082-000-00	Employee Benefits - Retirement	$ 0.00	0.00%	$ 276,000.00	0.43%
6084-100-00	Personnel - Education	$ 0.00	0.00%	$ 3,882.35	0.01%
6084-200-00	Personnel - Education	$ 0.00	0.00%	$ 920.00	0.00%
	Total Personnel Expenses:	$ 501,002.50	7.19%	$ 3,702,193.88	5.72%
Clinical Expenses					
6309-100-00	Clinic - Small Instruments	$ 3,124.15	0.04%	$ 44,717.82	0.07%
6309-200-00	Clinic - Small Instruments	$ 4,789.44	0.07%	$ 56,487.97	0.09%
6310-100-00	Clinic - Surgical Supplies	$ 53,996.16	0.77%	$ 856,846.29	1.32%
6310-200-00	Clinic - Surgical Supplies	$ 30,058.17	0.43%	$ 626,420.17	0.97%
6311-100-00	Clinic - Implants	$ 113,778.54	1.63%	$ 1,963,045.06	3.03%
6311-200-00	Clinic - Implants	$ 112,246.88	1.61%	$ 1,249,017.74	1.93%
6312-100-00	Clinic - Oxygen/Medical Gas	$ 2,243.64	0.03%	$ 20,730.28	0.03%
6312-200-00	Clinic - Oxygen/Medical Gas	$ 1,261.53	0.02%	$ 17,039.26	0.03%
6313-100-00	Clinic - Anesthesia Supplies	$ 1,408.34	0.02%	$ 37,810.71	0.06%
6313-200-00	Clinic - Anesthesia Supplies	$ 1,460.57	0.02%	$ 26,772.28	0.04%
6314-100-00	Clinic - IV Solutions	$ 4,117.07	0.06%	$ 38,648.87	0.06%
6314-200-00	Clinic - IV Solutions	$ 3,804.16	0.05%	$ 20,776.57	0.03%
6315-100-00	Clinic - Anesthesia Pharmaceuticals	$ 9,041.74	0.13%	$ 105,110.31	0.16%
6315-200-00	Clinic - Anesthesia Pharmaceuticals	$ 4,776.61	0.07%	$ 81,340.70	0.13%
6316-100-00	Clinic - Pharmaceuticals	$ 5,921.40	0.08%	$ 124,126.16	0.19%
6316-200-00	Clinic - Pharmaceuticals	$ 8,757.49	0.13%	$ 60,051.78	0.09%
6317-100-00	Clinic - Sutures	$ 3,842.93	0.06%	$ 52,994.99	0.08%
6317-200-00	Clinic - Sutures	$ 487.01	0.01%	$ 36,530.12	0.06%
6318-100-00	Clinic - Xray Film & Supplies	$ 0.00	0.00%	$ 4,313.84	0.01%
6318-200-00	Clinic - Xray Film & Supplies	$ 0.00	0.00%	$ 4,315.04	0.01%
6319-100-00	Clinic - Disposable Packs	$ 8,994.04	0.13%	$ 162,324.42	0.25%
6319-200-00	Clinic - Disposable Packs	$ 6,712.30	0.10%	$ 90,325.33	0.14%
6323-100-00	Clinic - Equip/Instr Rental	$ 8,712.00	0.12%	$ 43,560.00	0.07%
6323-200-00	Clinic - Equip/Instr Rental	$ 0.00	0.00%	$ 4,162.00	0.01%
6324-100-00	Clinic - Trash/Medical Waste	$ 0.00	0.00%	$ 57,542.10	0.09%
6324-200-00	Clinic - Trash/Medical Waste	$ 0.00	0.00%	$ 49,971.42	0.08%
6330-100-00	Clinic - Uniforms/Laundry	$ 9,069.47	0.13%	$ 151,295.40	0.23%
6330-200-00	Clinic - Uniforms/Laundry	$ 5,991.55	0.09%	$ 77,786.32	0.12%
6332-100-00	Clinic - Food Patient/Employee	$ 1,529.27	0.02%	$ 28,416.51	0.04%
6332-200-00	Clinic - Food Patient/Employee	$ 3,329.81	0.05%	$ 21,008.76	0.03%

Supplemental #A1

Income Statement
For The 9 Periods Ended 9/30/2017

December 27, 2017
4:13 PM
Campbell Clinic Surgery Center LLC (CSC)

			Period to Date	% of Revenue	Year to Date	% of Revenue
Clinical Expenses		(Continued)				
6341-100-00	Clinic - Equip R&M Contract		$ 15,934.34	0.23%	$ 186,516.73	0.29%
6341-200-00	Clinic - Equip R&M Contract		$ 31,280.61	0.45%	$ 133,877.78	0.21%
6342-100-00	Clinic - Equip/Instr R&M		$ 687.68	0.01%	$ 6,946.66	0.01%
6342-200-00	Clinic - Equip/Instr R&M		$ 603.09	0.01%	$ 11,374.28	0.02%
6343-100-00	Clinic - Lab Services		$ 204.00	0.00%	$ 2,124.00	0.00%
6343-200-00	Clinic - Lab Services		$ 0.00	0.00%	$ 10.43	0.00%
	Total Clinical Expenses:		$ 458,163.99	6.57%	$ 6,454,338.10	9.98%
Other Operating Expenses						
6085-100-00	Personnel - Contract Employees		$ 1,263.24	0.02%	$ 39,438.99	0.06%
6085-200-00	Personnel - Contract Employee		$ 782.00	0.01%	$ 32,552.55	0.05%
6510-100-00	Facility - Rent/Lease		$ 88,278.78	1.27%	$ 467,608.02	0.72%
6510-200-00	Facility - Rent/Lease		$ 14,878.82	0.21%	$ 133,552.35	0.21%
6516-200-00	Facility - Property Taxes		$ 0.00	0.00%	$ 56,993.25	0.09%
6520-100-00	Facility - Utilities		$ 7,908.12	0.11%	$ 86,368.48	0.13%
6520-200-00	Facility - Utilities		$ 12,310.74	0.18%	$ 103,010.99	0.16%
6526-100-00	Facility - Cable		$ 0.00	0.00%	$ 934.25	0.00%
6526-200-00	Facility - Cable		$ 0.00	0.00%	$ 1,214.75	0.00%
6527-100-00	Facility - Trash		$ 0.00	0.00%	$ 10,133.54	0.02%
6527-200-00	Facility - Trash		$ 0.00	0.00%	$ 6,627.81	0.01%
6528-100-00	Facility - Telephone		$ 486.35	0.01%	$ 4,803.14	0.01%
6528-200-00	Facility - Telephone		$ 831.09	0.01%	$ 24,018.80	0.04%
6530-100-00	Facility - Bldg Repair/Maint		$ 5,924.99	0.09%	$ 61,946.38	0.10%
6530-200-00	Facility - Bldg Repair/Maint		$ 3,670.75	0.05%	$ 62,777.41	0.10%
6534-100-00	Facility - Janitor/Housekeeping		$ 5,128.52	0.07%	$ 65,998.64	0.10%
6534-200-00	Facility - Janitor/Housekeeping		$ 5,624.99	0.08%	$ 50,062.62	0.08%
6544-100-00	Facility - Security		$ 0.00	0.00%	$ 3,503.88	0.01%
6544-200-00	Facility - Security		$ 3,585.75	0.05%	$ 53,464.88	0.08%
6710-000-00	Admin - Accounting Fees		$ 702.67	0.01%	$ 12,010.48	0.02%
6712-000-00	Admin - Bank Charges		$ 15,022.65	0.22%	$ 118,210.06	0.18%
6715-000-00	Admin - Marketing		$ 55.00	0.00%	$ 1,810.05	0.00%
6716-100-00	Admin - Dues/Books/Subs		$ 57.35	0.00%	$ 7,254.39	0.01%
6716-200-00	Admin - Dues/Books/Subs		$ 336.57	0.00%	$ 1,804.85	0.00%
6717-000-00	Admin - Education/Training		$ 0.00	0.00%	$ 15,911.45	0.02%
6718-100-00	Admin - Licenses/Fees		$ 229.32	0.00%	$ 31,564.20	0.05%
6718-200-00	Admin - Licenses/Fees		$ 16.00	0.00%	$ 2,940.74	0.00%
6724-000-00	Admin - Business Meals & Ent		$ 212.86	0.00%	$ 3,723.26	0.01%
6725-100-00	Admin - Miscellaneous		$ 150.00	0.00%	$ 300.00	0.00%
6725-200-00	Admin - Miscellaneous		$ 150.00	0.00%	$ 300.00	0.00%
6726-000-00	Admin - Prof/Gen Liability Ins		$ 0.00	0.00%	$ 38,991.00	0.06%
6727-000-00	Admin - Info Tech Outside Serv		$ 2,282.36	0.03%	$ 17,353.42	0.03%
6728-100-00	Admin - Office Supplies		$ 1,155.19	0.02%	$ 28,328.08	0.04%
6728-200-00	Admin - Office Supplies		$ 1,661.41	0.02%	$ 15,856.59	0.02%
6729-000-00	Admin - Postage/Ship/Courier		$ 5,195.71	0.07%	$ 63,699.24	0.10%
6731-000-00	Admin - Pro Fees Collections		$ 4,852.69	0.07%	$ 54,296.59	0.08%
6733-000-00	Admin - Pro Fees Transcription		$ 6,092.32	0.09%	$ 56,357.08	0.09%
6740-100-00	Admin - Rent Office Equip		$ 1,362.70	0.02%	$ 14,476.94	0.02%
6740-200-00	Admin - Rent Office Equip		$ 0.00	0.00%	$ 4,132.27	0.01%
6742-100-00	Admin - Office Equip R&M		$ 0.00	0.00%	$ 25.90	0.00%
6742-200-00	Admin - Office Equip R&M		$ 0.00	0.00%	$ 1,067.23	0.00%
6746-000-00	Admin - Sales Taxes		$ 26,558.45	0.38%	$ 291,038.06	0.45%
6750-000-00	Admin - Travel		$ 11,790.49	0.17%	$ 31,781.30	0.05%
6800-100-00	Admin - Minor Equipment		$ 0.00	0.00%	$ 4,119.92	0.01%
6800-200-00	Admin - Minor Equipment		$ 810.00	0.01%	$ 8,733.69	0.01%
	Total Other Operating Expenses:		$ 229,367.88	3.29%	$ 2,091,097.52	3.23%
Non-Operating Expenses						
6901-000-00	Other - Miscellaneous		$ 1,464.79	0.02%	$ 11,588.84	0.02%
6916-000-00	Other - Depreciation		$ 29,069.17	0.42%	$ 261,622.53	0.40%
6918-000-00	Other - Interest Expense		$ 10,217.19	0.15%	$ 92,997.07	0.14%
	Total Non-Operating Expenses:		$ 40,751.15	0.58%	$ 366,208.44	0.57%
	Total Expenses:		$ 1,229,285.52	17.64%	$ 12,613,837.94	19.50%

Income Statement
For The 9 Periods Ended 9/30/2017

144

Campbell Clinic Surgery Center LLC (CSC)

	Period to Date	% of Revenue	Year to Date	% of Revenue
Net Income from Operations:	$ 438,206.14	6.29%	$ 3,982,535.85	6.16%
Earnings before Income Tax:	$ 438,206.14	6.29%	$ 3,982,535.85	6.16%
Net Income (Loss):	$ 438,206.14	6.29%	$ 3,982,535.85	6.16%

11. Section B. Economic Feasibility Item F. (3) Page 52

Please provide the requested Capitalization Ratio. The Capitalization Ratio is requested from all applicants. In addition, please provide the portion of the financial document the applicant used to calculate the ratio.

The applicant's capitalization ratio is very high.

Long-term debt	$ 109,721
Equity	$1,861,026
Long-term debt Plus Equity	$1,970,747

Capitalization Ratio $109,721 / $1,970,747 X 100 = 5.568

This data comes from the applicant's balance sheet for Q1-Q3 2017, attached preceding this page at the end of the list. The only long-term liability is the Magna Bank note payable (last on the list of liabilities). The current liabilities total a net of -$53,372.35.

12. Section B. Economic Feasibility Item H., Staffing, Page 54

Table B on page 54 is noted. However, please complete the column labeled "Areawide/Statewide Average Salary" and submit a replacement page.

Regrettably, the applicant was not able to find these categories of employees in the Department of Labor and Workforce Development website of salary surveys, for any year close to the current one.

13. Section B. Contribution to Orderly Development Item A. Page 56

The emergency transfer agreement with Methodist LeBonheur Germantown Hospital is noted. What is the distance to Methodist LeBonheur Germantown Hospital from the proposed site?

The distance is approximately 1.8 miles.

14. Section B, Orderly Development, Item D Page 59

a. It is noted the applicant will be accredited by the Accreditation Association for Ambulatory Health Care, Inc. (AAAHC). Please provide a brief overview of AAAHC.

The Accreditation Association for Ambulatory Health Care (AAAHC) is a private, non-profit organization formed in 1979. AAAHC was one of the first organizations to develop standards to advance and promote patient safety, quality care, and value for ambulatory Health care through peer-based accreditation processes, education, and research. A certificate of accreditation is awarded to organizations that are found to be in compliance with AAAHC standards. AAAHC currently accredits more than 6,000 organizations in ambulatory health care settings and is the official accreditation organization for the US coast guard.

b. What is the difference between the Accreditation Association for Ambulatory Health Care, Inc. (AAAHC) and the American Association for Accreditation of Ambulatory Surgery Facilities (AAASF)?

The American Association for Accreditation of Ambulatory Surgery Facilities is a not for profit outpatient accrediting organization established in 1980 to standardize and improve the quality of health care in outpatient facilities. The applicant has no additional knowledge of nor any prior experience with this organization.

15. Section B. Quality Measures

Please verify and acknowledge the applicant will be evaluated annually on whether the proposal will provide health care that meets appropriate quality standards upon the following factors:

a. Whether the applicant commits to maintaining an actual payor mix that is comparable to the payor mix projected in its CON application, particularly as it relates to Medicare, TennCare/Medicaid, Charity Care, and the Medically Indigent;

Yes.

b. Whether the applicant commits to maintaining staffing comparable to the staffing chart presented in its CON application;

Yes.

c. Whether the applicant will obtain and maintain all applicable state licenses in good standing;

Yes.

d. Whether the applicant will obtain and maintain TennCare and Medicare certification(s), if participation in such programs was indicated in the application;

Yes .

e. Whether an existing healthcare institution applying for a CON has maintained substantial compliance with applicable federal and state regulation for the three years prior to the CON application. In the event of non-compliance, the nature of non-compliance and corrective action shall be considered;

The applicant has always been in compliance.

f. Whether an existing health care institution applying for a CON has been decertified within the prior three years. This provision shall not apply if a new, unrelated owner applies for a CON related to a previously decertified facility;

The applicant has never been decertified.

g. Whether the applicant will participate, within 2 years of implementation of the project, in self-assessment and external peer assessment processes used by health care organizations to accurately assess their level of performance in relation to established standards and to implement ways to continuously improve.

The applicant will do this.

g (Repeated) Whether the applicant will participate, within 2 years of implementation of the project, in self-assessment and external peer assessment processes used by health care organizations to accurately assess their level of performance in relation to established standards and to implement ways to continuously improve.

1. This may include accreditation by any organization approved by Centers for Medicare and Medicaid Services (CMS) and other nationally recognized programs. The Joint Commission or its successor, for example, would be acceptable if applicable. Other acceptable accrediting organizations may include, but are not limited to, the following:

(ii) Accreditation Association for Ambulatory Health Care, and where applicableAmerican Association for Accreditation of Ambulatory Surgical Facilities, for Ambulatory Surgical Treatment Center projects.

The applicant will do this.

h. For Ambulatory Surgical Treatment Center projects, whether the applicant has estimated the number of physicians by specialty expected to utilize the facility, developed criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel, and documented the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

Yes; the applicant has extensively planned for all of the following and has established criteria for extending privileges. The required ancillary support services and staff are available; this is a facility that has a long operating history.

Thank you for your assistance. We hope this provides the information needed to accept the application into the next review cycle. If more is needed please email or telephone me so that we can respond in time to be deemed complete.

Respectfully,

John Wellborn

John Wellborn
Consultant

CAMPBELL CLINIC HOLDINGS, P.C.
AND SUBSIDIARIES

Consolidated Financial Statements - Income Tax Basis
and Supplemental Schedules
For the Years Ended December 31, 2016 and 2015

CAMPBELL CLINIC HOLDINGS, P.C. AND SUBSIDIARIES

Contents

Supplemental #A1
December 27, 2017
4:13 PM

MHM

Clark Tower, 5100 Poplar Avenue, 30th Floor ▪ Memphis, Tennessee 38137
Main: 901.685.5575 ▪ Fax: 901.685.5583 ▪ www.mhmcpa.com

Independent Auditor's Report

To the Board of Directors and Shareholders
Campbell Clinic Holdings, P.C.
Germantown, Tennessee

We have audited the accompanying consolidated financial statements of Campbell Clinic Holdings, P.C. and Subsidiaries, which comprise the consolidated statements of assets, liabilities, and shareholders' equity - income tax basis as of December 31, 2016 and 2015, and the related consolidated statements of revenues and expenses - income tax basis, and changes in shareholders' equity - income tax basis, for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the accounting basis used for federal income tax reporting purposes as described in note 2; this includes determining that the income tax basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated assets, liabilities, and shareholders' equity of Campbell Clinic Holdings, P.C. and Subsidiaries as of December 31, 2016 and 2015, and their consolidated revenues and expenses and changes in shareholders' equity for the years then ended, in accordance with the accounting basis used for federal income tax reporting purposes as described in note 2.

Basis of Accounting

We draw attention to note 2 to the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared on the accounting basis used for federal income tax reporting purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated income tax basis financial statements as a whole. The accompanying supplemental schedules are presented for purposes of additional analysis and are not a required part of the consolidated income tax basis financial statements. The separate company financial statements on pages 24 to 28 are presented for purposes of additional analysis of the consolidated income tax basis financial statements rather than to present the financial position and results of operations of the individual companies. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated income tax basis financial statements. That information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the consolidated income tax basis financial statements as a whole.

Mayer Hoffman McCann P.C.

Memphis, Tennessee
May 11, 2017

CAMPBELL CLINIC HOLDINGS, P.C. AND SUBSIDIARIES

Consolidated Statements of Assets, Liabilities, and Shareholders' Equity - Income Tax Basis
December 31, 2016 and 2015

Assets	2016	2015
Current assets		
Cash and cash equivalents	$ 5,123,858	$ 6,061,090
Prepaid expenses	179,116	229,738
Current maturities of notes receivable from physicians	65,166	23,700
Total current assets	5,368,140	6,314,528
Property and equipment, less accumulated depreciation and amortization	16,020,129	17,157,523
Other assets		
Notes receivable from physicians, net	90,000	110,166
Investments in partnership and limited liability companies	367,047	342,581
Investment in land and improvements	771,551	771,551
Total other assets	1,228,598	1,224,298
	$ 22,616,867	$ 24,696,349
Liabilities and Shareholders' Equity		
Current liabilities		
Lines of credit	$ 1,363,948	$ 2,280,909
Current maturities of long-term debt	1,700,337	1,565,589
Accrued retirement plan contributions	4,200,000	4,169,000
Due to affiliate	2,063	-
Payroll withholdings	13,882	13,322
Total current liabilities	7,280,230	8,028,820
Long-term debt, less current maturities	11,861,230	13,522,975
Commitments and contingencies		
Shareholders' equity		
Common stock, no par value; 10,000 shares authorized, 3,550 and 3,359 shares issued and outstanding in 2016 and 2015, respectively	1,365,312	1,259,572
Retained earnings	2,110,095	1,884,982
Total shareholders' equity	3,475,407	3,144,554
	$ 22,616,867	$ 24,696,349

The accompanying notes are an integral part
of these consolidated financial statements.

CAMPBELL CLINIC HOLDINGS, P.C. AND SUBSIDIARIES

Consolidated Statements of Revenues and Expenses - Income Tax Basis
For the Years Ended December 31, 2016 and 2015

	2016	2015
Revenues		
Patient service revenue	$ 89,674,586	$ 80,324,720
Other operating revenue	8,785,907	7,317,284
Total revenues	98,460,493	87,642,004
Operating expenses	97,839,775	87,561,720
Operating income	620,718	80,284
Other income (expense)		
Income from investments in partnership and limited liability companies	175,859	183,771
Interest expense	(566,019)	(592,226)
Other	(5,445)	390
Total other income (expense)	(395,605)	(408,065)
Net income (loss)	$ 225,113	$ (327,781)

The accompanying notes are an integral part
of these consolidated financial statements.

CAMPBELL CLINIC HOLDINGS, P.C. AND SUBSIDIARIES

Consolidated Statements of Changes in Shareholders' Equity - Income Tax Basis
For the Years Ended December 31, 2016 and 2015

	Common Stock		Retained	
	Shares	Amount	Earnings	Total
Balances, January 1, 2015	3,197	$ 1,172,717	$ 2,212,763	$ 3,385,480
Common stock issued	162	86,855	-	86,855
Net loss for 2015	-	-	(327,781)	(327,781)
Balances, December 31, 2015	3,359	1,259,572	1,884,982	3,144,554
Common stock issued	191	105,740	-	105,740
Net income for 2016	-	-	225,113	225,113
Balances, December 31, 2016	3,550	$ 1,365,312	$ 2,110,095	$ 3,475,407

The accompanying notes are an integral part
of these consolidated financial statements.

CAMPBELL CLINIC HOLDINGS, P.C. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)
December 31, 2016 and 2015

Note 3 - Notes receivable from physicians (continued)

As of December 31, 2016, notes receivable from physicians that are anticipated to be forgiven and repaid in accordance with loan agreements are as follows:

	Forgiven	Repaid	Total
2017	$ 60,000	$ 5,166	$ 65,166
2018	30,000	-	30,000
2019	-	-	-
2020	-	-	-
2021	30,000	-	30,000
Thereafter	30,000	-	30,000
	$ 150,000	$ 5,166	$ 155,166

Note 4 - Property and equipment

Property and equipment as of December 31, 2016 and 2015 consists of the following:

	2016	2015
Buildings	$ 13,931,181	$ 13,931,181
Furniture, fixtures and equipment	14,085,502	13,438,225
Land and improvements	4,436,426	4,436,426
Leasehold improvements	3,593,141	3,593,141
	36,046,250	35,398,973
Less accumulated depreciation and amortization	20,026,121	18,241,450
Net property and equipment	$ 16,020,129	$ 17,157,523

Note 5 - Investments in partnership and limited liability companies

Investments in a partnership and limited liability companies as of December 31, 2016 and 2015 consist of the following:

	2016			2015		
	% Ownership	Income (Loss)	Carrying Amount	% Ownership	Income (Loss)	Carrying Amount
Methodist Surgery Center Germantown, LP	1.00 %	$ 17,746	$ 26,315	1.00 %	$ 25,365	$ 30,217
Mid-South Pediatric Specialists, LLC	- %	(3,074)	-	20.89 %	-	3,074
CC DeSoto Clinic, LLC	37.50 %	161,187	340,732	37.50 %	158,406	309,290
		$ 175,859	$ 367,047		$ 183,771	$ 342,581

CAMPBELL CLINIC HOLDINGS, P.C. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)
December 31, 2016 and 2015

Note 6 - Lines of credit

The Clinic has a revolving line of credit with a borrowing limit of $3,000,000. The agreement was amended to temporarily increase the limit to $5,000,000 for the period of October 1, 2015 through April 1, 2016, at which time the borrowing limit was reduced back to $3,000,000. The credit agreement provides for monthly interest payments at an interest rate equal to adjusted three month LIBOR, as defined in the credit agreement, plus one hundred ninety (190) basis points (2.90% at December 31, 2016). The outstanding principal is due at maturity, which is August 2017. The credit agreement is collateralized by all accounts (including healthcare insurance receivables) and certain equipment. Borrowings outstanding under this line of credit totaled $1,363,948 and $2,280,909 as of December 31, 2016 and 2015, respectively.

The Surgery Center has a revolving line of credit with a borrowing limit of $500,000. The credit agreement provides for monthly interest payments at an interest rate equal to adjusted LIBOR, as defined in the credit agreement, plus one hundred ninety (190) basis points (2.79% at December 31, 2016). The outstanding principal is due at maturity, which is August 2017. The credit agreement is collateralized by all accounts (including healthcare insurance receivables) and certain equipment. There were no borrowings outstanding under this line of credit as of December 31, 2016 and 2015.

Note 7 - Long-term debt

Long-term debt as of December 31, 2016 and 2015 consists of the following:

	2016	2015
Note payable to a bank, bearing interest at a fixed rate of 3.35%, payable in monthly installments of principal and interest of $32,497 through August 2019, collateralized by building and land	$ 5,097,462	$ 5,309,868
Note payable to a bank, bearing interest at a fixed rate of 4.4%, payable in monthly installments of principal and interest of $24,787 through October 2028, collateralized by building and land	2,730,888	2,901,881
Note payable to a bank, bearing interest at a fixed rate of 5.18%, payable in monthly installments of principal and interest of $25,415 through July 2020, with a final payment of outstanding principal approximating $2,370,000 and interest due upon maturity in August 2020, collateralized by building and land	2,351,371	2,607,556
Note payable to a bank, bearing interest at a fixed rate of 2.36%, payable in monthly principal installments of $24,370 plus applicable interest through March 2020, collateralized by certain equipment	950,431	1,242,872

CAMPBELL CLINIC HOLDINGS, P.C. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)
December 31, 2016 and 2015

Note 7 - Long-term debt (continued)

	2016	2015
Note payable to a bank, bearing interest at a fixed rate of 2.4%, payable in monthly installments of principal and interest of $26,555, matures August 2019, collateralized by substantially all assets of the Clinic	$ 822,064	$ 1,116,731
Note payable to a bank, bearing interest at a fixed rate of 2.55%, payable in monthly installments of principal and interest of $4,006, matures August 2018, collateralized by land	707,904	740,292
Note payable to a bank, bearing interest at a fixed rate of 2.47%, payable in monthly installments of principal and interest of $28,771 through August 2018, collateralized by certain equipment	563,541	890,142
Note payable to a bank, bearing interest at a fixed rate of 3.0%, payable in monthly installments of principal and interest of $8,580 through October 2018, collateralized by certain equipment	183,477	279,222
Note payable to a bank, bearing interest at 2.754%, payable in monthly installments of principal and interest of $7,911 through August 2018, collateralized by certain equipment	154,429	-
	13,561,567	15,088,564
Less current maturities	1,700,337	1,565,589
Net long-term debt	$ 11,861,230	$ 13,522,975

These notes include certain restrictive covenants which require, among other things, the maintenance of certain financial ratios.

Principal maturities of long-term debt as of December 31, 2016 are as follows:

Year Ending	Amount
2017	$ 1,700,337
2018	2,231,100
2019	5,526,337
2020	458,163
2021	404,297
Thereafter	3,241,333
	$ 13,561,567

Supplemental #A1
December 27, 2017
4:13 PM

CAMPBELL CLINIC HOLDINGS, P.C. AND SUBSIDIARIES
Campbell Clinic, P.C.
Schedule of Assets, Liabilities, and Shareholder's Equity - Income Tax Basis
December 31, 2016 and 2015

Assets

	2016	2015
Current assets		
Cash and cash equivalents	$ 5,091,579	$ 6,055,977
Prepaid expenses	179,116	229,738
Current maturities of notes receivable from physicians	65,166	23,700
Total current assets	5,335,861	6,309,415
Property and equipment		
Furniture, fixtures and equipment	9,777,494	9,233,809
Building - Surgery Center	3,713,382	3,713,382
Leasehold improvements	3,593,141	3,593,141
Land and improvements - Surgery Center	709,266	709,266
	17,793,283	17,249,598
Less accumulated depreciation and amortization	11,932,374	10,632,989
Net property and equipment	5,860,909	6,616,609
Other assets		
Notes receivable from physicians, net	90,000	110,166
Investments in partnership and limited liability companies	367,047	342,581
Investment in land and improvements	771,551	771,551
Investment in Campbell Clinic Surgery Center, LLC	123,490	199,737
Investment in Wolf River Medical Center, Ltd.	7,151,588	7,165,188
Total other assets	8,503,676	8,589,223
	$ 19,700,446	$ 21,515,247

Liabilities and Shareholder's Equity

Current liabilities		
Line of credit	$ 1,363,948	$ 2,280,909
Current maturities of long-term debt	1,420,292	1,296,249
Accrued retirement plan contributions	4,200,000	4,169,000
Payroll withholdings	11,826	13,323
Due to affiliate	2,063	-
Total current liabilities	6,998,129	7,759,481
Long-term debt, less current maturities	9,226,910	10,611,213
Shareholder's equity		
Common stock	1,365,312	1,259,572
Retained earnings	2,110,095	1,884,981
Total shareholder's equity	3,475,407	3,144,553
	$ 19,700,446	$ 21,515,247

CAMPBELL CLINIC HOLDINGS, P.C. AND SUBSIDIARIES
Campbell Clinic, P.C.
Schedule of Revenues and Expenses - Income Tax Basis
For the Years Ended December 31, 2016 and 2015

	2016	2015
Patient service revenues		
Physician services	$ 42,287,112	$ 39,153,286
Physical therapy	8,255,199	7,959,873
Radiology	6,649,403	7,204,357
Magnetic resonance imaging	6,483,087	5,951,684
Cast and durable medical equipment	4,339,203	3,967,851
Total patient service revenues	68,014,004	64,237,051
Other operating revenues		
Contractual services provided to University of Tennessee, Baptist Memorial Hospital, Methodist University Hospital, Regional Medical Center, and the Veterans Administration Hospital	6,369,851	5,631,295
Miscellaneous	2,390,264	1,666,246
Royalties	176,226	252,291
Medical report fees	9,405	5,551
Total other operating revenues	8,945,746	7,555,383
Total patient service and other operating revenues	76,959,750	71,792,434
Operating expenses		
Bank fees	272,431	253,785
Books and subscriptions	22,281	29,526
Business transportation	6,996	8,219
Cafeteria	97,776	95,179
Depreciation and amortization	1,299,385	1,007,173
Donations	67,850	45,088
Dues and licenses	390,690	397,824
Employee relations	199,090	88,070
Insurance	2,732,966	3,199,934
Laundry and uniforms	344,939	321,871
Legal and accounting	323,094	272,996
Marketing and advertising	939,651	1,227,217
Meals and entertainment	26,089	24,764
Retirement plan contributions	3,935,285	4,167,689
Retirement plan administration	196,004	128,625
Postage	44,235	35,711
Purchased services	5,141,100	4,948,301
Recruitment	114,598	81,932
Registration fees - CME	165,657	160,535
Rent - building	1,982,531	1,873,888
Rent - equipment	1,735	1,008

CAMPBELL CLINIC HOLDINGS, P.C. AND SUBSIDIARIES
Campbell Clinic, P.C.
Schedule of Revenues and Expenses - Income Tax Basis (Continued)
For the Years Ended December 31, 2016 and 2015

	2016	2015
Operating expenses (continued)		
Repair and maintenance - building	$ 112,508	$ 135,592
Repair and maintenance - equipment	845,816	1,150,396
Salaries - general and administrative	16,484,518	15,072,780
Salaries - physician	39,137,107	33,315,179
Supplies - film	1,996	4,111
Supplies - medical	3,002,710	3,137,056
Supplies - other	171,771	156,878
Taxes and licenses	851,646	847,453
Taxes - payroll	2,124,490	1,942,784
Telephone	176,462	180,472
Travel	466,527	435,357
Utilities	215,281	235,496
Total operating expenses	81,895,215	74,982,889
Operating loss	(4,935,465)	(3,190,455)
Other income (expense)		
Income from investment in subsidiaries	5,416,653	3,126,805
Income from investments in partnership and limited liability companies	175,859	183,771
Investment income	415	632
Interest expense	(432,349)	(448,535)
Total other income (expense)	5,160,578	2,862,673
Net income (loss)	$ 225,113	$ (327,782)

CAMPBELL CLINIC HOLDINGS, P.C. AND SUBSIDIARIES
Campbell Clinic Surgery Center, LLC
Schedule of Assets, Liabilities, and Member's Equity - Income Tax Basis
December 31, 2016 and 2015

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	$ 32,279	$ 5,113
Property and equipment		
Furniture, fixtures and equipment	4,308,008	4,204,416
Less accumulated depreciation	4,031,264	3,730,571
Net property and equipment	276,744	473,845
	$ 309,023	$ 478,958
Liabilities and Member's Equity		
Current liabilities		
Current maturities of long-term debt	$ 98,828	$ 95,910
Payroll withholdings	2,056	-
Total current liabilities	100,884	95,910
Long-term debt, less current maturities	84,649	183,311
Member's equity	123,490	199,737
	$ 309,023	$ 478,958

CAMPBELL CLINIC HOLDINGS, P.C. AND SUBSIDIARIES
Campbell Clinic Surgery Center, LLC
Schedule of Revenues and Expenses - Income Tax Basis
For the Years Ended December 31, 2016 and 2015

	2016	2015
Revenues		
Patient service revenue	$ 21,660,582	$ 16,087,669
Other operating revenues	227,710	149,450
Total revenues	21,888,292	16,237,119
Operating expenses		
Bank fees	148,354	99,785
Cafeteria	60,908	58,651
Depreciation	320,266	192,349
Dues and licenses	6,382	4,050
Employee benefits	307,000	386,404
Insurance	47,825	36,704
Laundry and uniforms	299,797	256,474
Legal and accounting	195,874	162,269
Marketing and advertising	1,491	1,019
Retirement plan contributions	265,939	231,000
Postage	83,360	74,908
Purchased services	154,013	58,618
Rent - building	783,233	724,007
Rent - equipment	31,735	13,868
Repair and maintenance - building	830,289	668,938
Salaries - general and administrative	846,074	700,636
Salaries - physician	3,005,970	2,553,289
Supplies - film	8,644	11,343
Supplies - medical	7,362,923	5,333,234
Supplies - other	135,805	161,452
Taxes and licenses	585,852	490,100
Taxes - payroll	278,888	236,285
Travel	21,197	14,621
Utilities	536,690	475,667
Total operating expenses	16,318,509	12,945,671
Operating income	5,569,783	3,291,448
Other income (expense)		
Interest expense	(133,670)	(143,691)
Loss on disposal of equipment	(5,860)	(242)
Total other income (expense)	(139,530)	(143,933)
Net income	$ 5,430,253	$ 3,147,515

Supplemental #A1
December 27, 2017
4:13 PM

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: CAMPBELL CLINIC SURGERY CENTER
First Supplemental Response

I, JOHN WELLBORN, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

John Wellborn
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 27 day of December 20 17, witness my hand at office in the County of Davidson, State of Tennessee.

Brady Teague
NOTARY PUBLIC

My commission expires July 5, 2021.

BRADY TEAGUE
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY

HF-0043

Revised 7/02

Supplemental #A2 (Copy)

Campbell Clinic Surgery Center

CN1712-038

DSG Development Support Group

Supplemental #A2
December 27, 2017
4:13 PM

December 27, 2017

Mark Farber, Deputy Director
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: CON Application #1712-038
Campbell Clinic Surgery Center

Dear Mr. Farber:

This letter responds to your second request for additional information on this application, received today. Responses are provided in triplicate, with affidavit.

1. Hospital Name Replacement pages: Attached following this page are revised page 56R of the submitted application, and revised Page Two of the first supplemental response, correcting the name of the Shelby County public hospital system to Regional One Health as it appears in Licensure records.

2. CCSC Current Unaudited Balance Sheet, Negative Current Liabilities: The CCSC has a credit card arrangement with SunTrust Bank, under which the bank is authorized to prepay certain recurring CCSC vendor bills directly up to a preauthorized amount, with the bank then taking reimbursement for those payments from CCSC's bank account on a weekly basis.

The bank gives CCSC a rebate for using the credit card for these large purchases, and that rate is a small percentage of the transactions. The negative current liability for accounts payable credit cards occurs due to a timing issue between payments being drafted from the bank account, and the accounting department making entries. The negative liability zeroes out at the end of the year.

The analogy would be how a consumer may receive a small rebate for large purchases on a personal card.

3. Applicant's Capitalization Ratio: Attached after this page, following revised Supplemental Page Two, are revised page 52R-2 from the application, and revised page Ten from the December 22 first supplemental response letter. Both are changed to show that the applicant's capitalization ratio is 5.568%, indicating low leverage.

4219 Hillsboro Road, Suite 203
Nashville, TN 37215

jwdsg@comcast.net

Tel 615.665.2022
Fax 615.665.2042

Campbell Clinic currently has 47 physicians. The Clinic maintains physician offices across the Memphis metropolitan area, including Germantown, Collierville, Cordova, Memphis, and Southaven, MS. In addition, the physicians from Campbell Clinic maintain medical staff privileges at multiple hospitals, including those located in Collierville, in Germantown, in East Memphis, and at Regional One Health in Memphis. As a result, the physicians are physically spread across the metropolitan geographic area.

b. It appears the Campbell Clinic has increased physician ownership from 42 physicians in 2010 to 47 physicians in 2017. Is there a plan to add additional physicians? If so, how will the new site handle additional surgeries from those physicians?

Campbell Clinic has developed a comprehensive strategic plan, and annually updates it's physician manpower projections, a key element of this plan. The most recent projection provides for continued recruitment over the next 5 + year timeframe. A portion of the new physician manpower plan is related to replacement of existing clinic physicians who are approaching normal retirement age. The clinic typically brings a new physician on board one to two years prior to retirement of an outgoing physician, depending on the applicant pool and availability. Other elements of the manpower projections look at other (non-Campbell Clinic) orthopedic surgeons in the Memphis metro area, and their respective ages and potential for retirement. It is not unusual for a "new to the area" orthopedic surgeon to join Campbell Clinic.

The majority of the recruitment of additional physicians is based on a subspecialty-by-subspecialty analysis of the industry trends and volume projections for orthopedic surgery procedures. These estimates, coupled with the demographic and market share growth, guide the formulation of the Campbell Clinic's manpower projections, and subsequent recruitment strategy. For example, over the next 5-year timeframe, the clinic has plans to recruit between ten (10) and twelve (12) new physicians, which include a complement covering six (6) different subspecialties. The majority of these new physicians will likely be shareholder track positions, and accordingly, the ownership number is expected to increase, in a similar pattern to what occurred over the 2010 to 2017 time period. A substantial increase is anticipated over and above the number of retiring physicians.

11. Section B. Economic Feasibility Item F. (3) Page 52

Please provide the requested Capitalization Ratio. The Capitalization Ratio is requested from all applicants. In addition, please provide the portion of the financial document the applicant used to calculate the ratio.

The applicant's capitalization ratio is very low.

Long-term debt	$ 109,721
Equity	$1,861,026
Long-term debt Plus Equity	$1,970,747
Capitalization Ratio	$109,721 / $1,970,747 X 100 = 5.568%

This data comes from the applicant's balance sheet for Q1-Q3 2017, attached preceding this page at the end of the list. The only long-term liability is the Magna Bank note payable (last on the list of liabilities). The current liabilities total a net of -$53,372.35.

12. Section B. Economic Feasibility Item H., Staffing, Page 54

Table B on page 54 is noted. However, please complete the column labeled "Areawide/Statewide Average Salary" and submit a replacement page.

Regrettably, the applicant was not able to find these categories of employees in the Department of Labor and Workforce Development website of salary surveys, for any year close to the current one.

13. Section B. Contribution to Orderly Development Item A. Page 56

The emergency transfer agreement with Methodist LeBonheur Germantown Hospital is noted. What is the distance to Methodist LeBonheur Germantown Hospital from the proposed site?

The distance is approximately 1.8 miles.

4. Campbell Clinic Holdings, P.C., Current and Capitalization Ratios: You have asked if the holding company's highly leveraged debt and low current ratio would have an impact on the applicant's ability to finance and operate the project. They would not.

The holding company will be a guarantor of the bank loan. However, in the financial industry, lenders consider these ratios in different ways for different types of borrowers. The Clinic organization has a very high cash flow. It is not uncommon for high cash flow companies to have low current ratios and to be highly leveraged. But their ability to service debt is evaluated primarily on other factors. For example, the Clinic pays out earnings to its physicians during the year; but the bank regards that as cash available to service the Clinic debt before paying shareholders anything. So the ratios of the holding company will not have any adverse impact on the financial feasibility of this project.

5. Revised Organization Chart: Following this page is a replacement organization chart adding Campbell Clinic Holdings, P.C.

6. Staff Salary Data: Please see the revised table following this page, which provides additional data on salary ranges for the types of positions in this project.

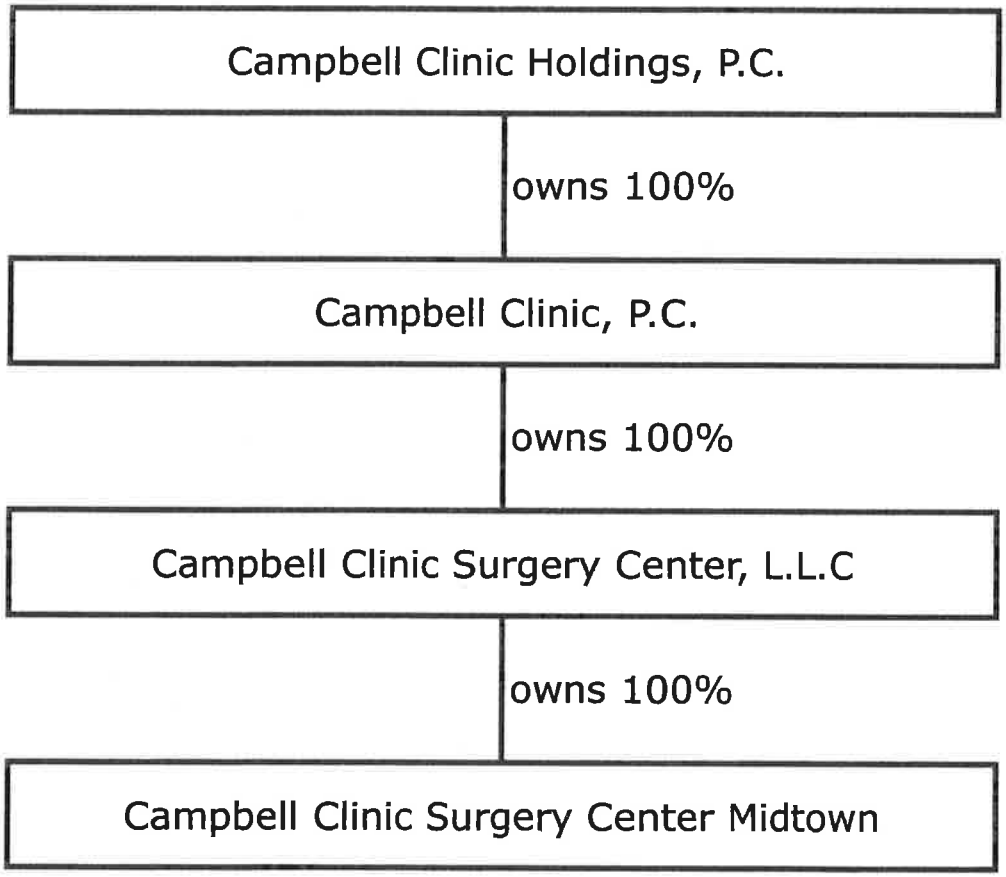
7. Affidavits: Attached after this page, following the staffing table, are (a) the executed affidavit for the first supplement responses filed Friday, December 22, and (b) the affidavit for this second supplemental response letter.

Thank you for your assistance. We hope this provides the information needed to accept the application into the next review cycle. If more is needed please email or telephone me so that we can respond in time to be deemed complete.

Respectfully,

John Wellborn

John Wellborn
Consultant



(Revised on Second Supplemental Responses, 12-27-17)

Supplemental #A2
December 27, 2017
4:13 PM

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: Campbell Clinic Surgery Center
Second Supplemental Response

I, JOHN WELLBORN, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

John Wellborn
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 27 day of December 2017, witness my hand at office in the County of Davidson, State of Tennessee.

Brady Teague
NOTARY PUBLIC

My commission expires July 5, 2021.

BRADY TEAGUE
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY

HF-0043

Revised 7/02

DEC 7 AM 10:48

LETTER OF INTENT -- HEALTH SERVICES & DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Commercial Appeal, which is a newspaper of general circulation in Shelby County, Tennessee, on or before December 10, 2017, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. Sections 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Campbell Clinic Surgery Center (an ambulatory surgical treatment center), owned and managed by Campbell Clinic Surgery Center, LLC (a limited liability company), intends to file an application for a Certificate of Need to replace its facility currently located at 1410 Brierbrook Road, Germantown, TN 38138, with a new facility in leased space at an unaddressed site on the south side of Wolf River Boulevard, 525 feet east of its intersection with Germantown Road. The project cost is estimated at $21,486,000.

The project is to replace the applicant's unimplemented CN1208-040A, which was granted to expand the present facility at its current location, from 4 operating rooms and 1 procedure room, to 8 operating rooms and 2 procedure rooms. This replacement project will site the approved surgical capacity at a new location on an adjoining lot that fronts Wolf River Boulevard. The project does not include major medical equipment, additional health services, changes in scope of service, or changes in ownership.

The facility is licensed by the Board for Licensing Health Care Facilities as an ambulatory surgical treatment center. Its services are limited to orthopedics and pain management.

The anticipated date of filing the application is on or before December 15, 2017. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 210, Nashville, TN 37215; (615) 665-2022.

John L Wellborn 12-7-17 jwdsg@comcast.net

(Signature) (Date) (E-mail Address)

RULES
OF
HEALTH SERVICES AND DEVELOPMENT AGENCY

CHAPTER 0720-11
CERTIFICATE OF NEED PROGRAM – GENERAL CRITERIA

TABLE OF CONTENTS

0720-11-.01 GENERAL CRITERIA FOR CERTIFICATE OF NEED. The Agency will consider the following general criteria in determining whether an application for a certificate of need should be granted:

(1) Need. The health care needed in the area to be served may be evaluated upon the following factors:

(a) The relationship of the proposal to any existing applicable plans;

(b) The population served by the proposal;

(c) The existing or certified services or institutions in the area;

(d) The reasonableness of the service area;

(e) The special needs of the service area population, including the accessibility to consumers, particularly women, racial and ethnic minorities, TennCare participants, and low-income groups;

(f) Comparison of utilization/occupancy trends and services offered by other area providers;

(g) The extent to which Medicare, Medicaid, TennCare, medically indigent, charity care patients and low income patients will be served by the project. In determining whether this criteria is met, the Agency shall consider how the applicant has assessed that providers of services which will operate in conjunction with the project will also meet these needs.

(2) Economic Factors. The probability that the proposal can be economically accomplished and maintained may be evaluated upon the following factors:

(a) Whether adequate funds are available to the applicant to complete the project;

(b) The reasonableness of the proposed project costs;

(c) Anticipated revenue from the proposed project and the impact on existing patient charges;

(d) Participation in state/federal revenue programs;

(e) Alternatives considered; and

(f) The availability of less costly or more effective alternative methods of providing the benefits intended by the proposal.

(Rule 0720-11-.01, continued)

(3) Quality. Whether the proposal will provide health care that meets appropriate quality standards may be evaluated upon the following factors:

(a) Whether the applicant commits to maintaining an actual payor mix that is comparable to the payor mix projected in its CON application, particularly as it relates to Medicare, TennCare/Medicaid, Charity Care, and the Medically Indigent;

(b) Whether the applicant commits to maintaining staffing comparable to the staffing chart presented in its CON application;

(c) Whether the applicant will obtain and maintain all applicable state licenses in good standing;

(d) Whether the applicant will obtain and maintain TennCare and Medicare certification(s), if participation in such programs was indicated in the application;

(e) Whether an existing healthcare institution applying for a CON has maintained substantial compliance with applicable federal and state regulation for the three years prior to the CON application. In the event of non-compliance, the nature of non-compliance and corrective action shall be considered;

(f) Whether an existing health care institution applying for a CON has been decertified within the prior three years. This provision shall not apply if a new, unrelated owner applies for a CON related to a previously decertified facility;

(g) Whether the applicant will participate, within 2 years of implementation of the project, in self-assessment and external peer assessment processes used by health care organizations to accurately assess their level of performance in relation to established standards and to implement ways to continuously improve.

1. This may include accreditation by any organization approved by Centers for Medicare and Medicaid Services (CMS) and other nationally recognized programs. The Joint Commission or its successor, for example, would be acceptable if applicable. Other acceptable accrediting organizations may include, but are not limited to, the following:

(i) Those having the same accrediting standards as the licensed hospital of which it will be a department, for a Freestanding Emergency Department;

(ii) Accreditation Association for Ambulatory Health Care, and where applicable, American Association for Accreditation of Ambulatory Surgical Facilities, for Ambulatory Surgical Treatment Center projects;

(iii) Commission on Accreditation of Rehabilitation Facilities (CARF), for Comprehensive Inpatient Rehabilitation Services and Inpatient Psychiatric projects;

(iv) American Society of Therapeutic Radiation and Oncology (ASTRO), the American College of Radiology (ACR), the American College of Radiation Oncology (ACRO), National Cancer Institute (NCI), or a similar accrediting authority, for Megavoltage Radiation Therapy projects;

(v) American College of Radiology, for Positron Emission Tomography, Magnetic Resonance Imaging and Outpatient Diagnostic Center projects;

(Rule 0720-11-.01, continued)

(vi) Community Health Accreditation Program, Inc., Accreditation Commission for Health Care, or another accrediting body with deeming authority for hospice services from CMS or state licensing survey, and/or other third party quality oversight organization, for Hospice projects;

(vii) Behavioral Health Care accreditation by the Joint Commission for Nonresidential Substitution Based Treatment Center, for Opiate Addiction projects;

(viii) American Society of Transplantation or Scientific Registry of Transplant Recipients, for Organ Transplant projects;

(ix) Joint Commission or another appropriate accrediting authority recognized by CMS, or other nationally recognized accrediting organization, for a Cardiac Catheterization project that is not required by law to be licensed by the Department of Health;

(x) Participation in the National Cardiovascular Data Registry, for any Cardiac Catheterization project;

(xi) Participation in the National Burn Repository, for Burn Unit projects;

(xii) Community Health Accreditation Program, Inc., Accreditation Commission for Health Care, and/or other accrediting body with deeming authority for home health services from CMS and participation in the Medicare Quality Initiatives, Outcome and Assessment Information Set, and Home Health Compare, or other nationally recognized accrediting organization, for Home Health projects; and

(xiii) Participation in the National Palliative Care Registry, for Hospice projects.

(h) For Ambulatory Surgical Treatment Center projects, whether the applicant has estimated the number of physicians by specialty expected to utilize the facility, developed criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel, and documented the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

(i) For Cardiac Catheterization projects:

1. Whether the applicant has documented a plan to monitor the quality of its cardiac catheterization program, including but not limited to, program outcomes and efficiencies;

2. Whether the applicant has agreed to cooperate with quality enhancement efforts sponsored or endorsed by the State of Tennessee, which may be developed per Policy Recommendation; and

3. Whether the applicant will staff and maintain at least one cardiologist who has performed 75 cases annually averaged over the previous 5 years (for an adult program), and 50 cases annually averaged over the previous 5 years (for a pediatric program).

(j) For Open Heart projects:

1. Whether the applicant will staff with the number of cardiac surgeons who will perform the volume of cases consistent with the State Health Plan (annual average of the previous 2 years), and whether the applicant will maintain this volume in the future;

2. Whether the applicant will staff and maintain at least one surgeon with 5 years of experience;

3. Whether the applicant will participate in a data reporting, quality improvement, outcome monitoring, and peer review system that benchmarks outcomes based on national norms, with such a system providing for peer review among professionals practicing in facilities and programs other than the applicant hospital (demonstrated active participation in the STS National Database is expected and shall be considered evidence of meeting this standard);

(k) For Comprehensive Inpatient Rehabilitation Services projects, whether the applicant will have a board-certified physiatrist on staff (preferred);

(l) For Home Health projects, whether the applicant has documented its existing or proposed plan for quality data reporting, quality improvement, and an outcome and process monitoring system;

(m) For Hospice projects, whether the applicant has documented its existing or proposed plan for quality data reporting, quality improvement, and an outcome and process monitoring system;

(n) For Megavoltage Radiation Therapy projects, whether the applicant has demonstrated that it will meet the staffing and quality assurance requirements of the American Society of Therapeutic Radiation and Oncology (ASTRO), the American College of Radiology (ACR), the American College of Radiation Oncology (ACRO), National Cancer Institute (NCI), or a similar accrediting authority;

(o) For Neonatal Intensive Care Unit projects, whether the applicant has documented its existing or proposed plan for data reporting, quality improvement, and outcome and process monitoring system; whether the applicant has documented the intention and ability to comply with the staffing guidelines and qualifications set forth by the Tennessee Perinatal Care System Guidelines for Regionalization, Hospital Care Levels, Staffing and Facilities; and whether the applicant will participate in the Tennessee Initiative for Perinatal Quality Care (TIPQC);

(p) For Nursing Home projects, whether the applicant has documented its existing or proposed plan for data reporting, quality improvement, and outcome and process monitoring systems, including in particular details on its Quality Assurance and Performance Improvement program. As an alternative to the provision of third party accreditation information, applicants may provide information on any other state, federal, or national quality improvement initiatives;

(q) For Inpatient Psychiatric projects:

1. Whether the applicant has demonstrated appropriate accommodations for patients (e.g., for seclusion/restraint of patients who present management problems and children who need quiet space; proper sleeping and bathing arrangements for all patients), adequate staffing (i.e., that each unit will be staffed with at least two direct patient care staff, one of which shall be a nurse, at all

times), and how the proposed staffing plan will lead to quality care of the patient population served by the project;

2. Whether the applicant has documented its existing or proposed plan for data reporting, quality improvement, and outcome and process monitoring system; and

3. Whether an applicant that owns or administers other psychiatric facilities has provided information on satisfactory surveys and quality improvement programs at those facilities.

(r) For Freestanding Emergency Department projects, whether the applicant has demonstrated that it will satisfy and maintain compliance with standards in the State Health Plan;

(s) For Organ Transplant projects, whether the applicant has demonstrated that it will satisfy and maintain compliance with standards in the State Health Plan; and

(t) For Relocation and/or Replacement of Health Care Institution projects:

1. For hospital projects, Acute Care Bed Need Services measures are applicable; and

2. For all other healthcare institutions, applicable facility and/or service specific measures are applicable.

(u) For every CON issued on or after the effective date of this rule, reporting shall be made to the Health Services and Development Agency each year on the anniversary date of implementation of the CON, on forms prescribed by the Agency. Such reporting shall include an assessment of each applicable volume and quality standard and shall include results of any surveys or disciplinary actions by state licensing agencies, payors, CMS, and any self-assessment and external peer assessment processes in which the applicant participates or participated within the year, which are relevant to the health care institution or service authorized by the certificate of need. The existence and results of any remedial action, including any plan of correction, shall also be provided.

(v) HSDA will notify the applicant and any applicable licensing agency if any volume or quality measure has not been met.

(w) Within one month of notification the applicant must submit a corrective action plan and must report on the progress of the plan within one year of that submission.

(4) Contribution to the Orderly Development of Adequate and Effective Healthcare Facilities and/or Services. The contribution which the proposed project will make to the orderly development of an adequate and effective health care system may be evaluated upon the following factors:

(a) The relationship of the proposal to the existing health care system (for example: transfer agreements, contractual agreements for health services, the applicant's proposed TennCare participation, affiliation of the project with health professional schools);

(b) The positive or negative effects attributed to duplication or competition; and

(Rule 0720-11-.01, continued)

(c) The availability and accessibility of human resources required by the proposal, including consumers and related providers.

(5) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, The Agency may consider, in addition to the foregoing factors, the following factors:

(a) Need. The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change to the proposed new site.

(b) Economic factors. The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.

(c) Quality of Health Care to be provided. The applicant should show the quality of health care to be provided will be served at least as well as the original site.

(d) Contribution to the orderly development of health care facilities and/or services. The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.

(6) Certificate of need conditions. In accordance with T.C.A. § 68-11-1609, The Agency, in its discretion, may place such conditions upon a certificate of need it deems appropriate and enforceable to meet the applicable criteria as defined in statute and in these rules.

Authority: *T.C.A. §§ 4-5-202, 4-5-208, 68-11-1605, 68-11-1609, and 2016 Tenn. Pub. Acts Ch. 1043.* ***Administrative History:*** *Original rule filed August 31, 2005; effective November 14, 2005. Emergency rule filed May 31, 2017; effective through November 27, 2017.*

CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF POLICY, PLANNING AND ASSESSMENT
615-741-1954

DATE: February 28, 2018

APPLICANT: Campbell Clinic Surgery Center
Unaddressed site on south side of Wolf River Blvd.
Germantown, Tennessee 38138

CONTACT PERSON: John Wellborn
4219 Hillsboro Road, Suite 210
Nashville, Tennessee 37215

COST: $21,485,200

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:
The applicant Campbell Clinic Surgery Center, LLC, (CCSC, LLC) seeks Certificate of Need (CON) approval to replace its current Ambulatory Surgical Treatment Center (ASTC) located at 1410 Brierbrook Road, Germantown, TN with a new facility located at an unaddressed site on Wolf River Blvd. If approved, this CON will replace previously approved but unimplemented CON CN1208-040, which granted the addition of 4 operating rooms and 1 procedure room.

This project does not include major equipment, additional services or change of ownership.

This application has been placed on the Consent Calendar. Tenn. Code Ann. § 68-11-1608 Section (d) states the executive director of Health Services and Development Agency may establish a date of less than sixty (60) days for reports on applications that are to be considered for a consent or emergency calendar established in accordance with agency rule. Any such rule shall provide that, in order to qualify for the consent calendar, an application must not be opposed by any person with legal standing to oppose and the application must appear to meet the established criteria for the issuance of a certificate of need. If opposition is stated in writing prior to the application being formally considered by the agency, it shall be taken off the consent calendar and placed on the next regular agenda, unless waived by the parties.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan.*

NEED:
The applicant's services area includes Shelby, Tipton, and Fayette counties in Tennessee and DeSoto County in Mississippi and Crittenden County in Arkansas.
The following illustrates the Tennessee counties' population.

	2017	2021	% Increase
Shelby	964,804	986,423	2.2%
Fayette	45,626	49,441	8.4%
Tipton	68,247	72,169	5.7%
Total	**1,078,677**	**1,108,033**	**2.7%**

Tennessee Population Projections 2000-2021, 2015 Revised UTCBER, Tennessee Department of Health

CCSC, LLC Patient Origin within the service area

County of origin	**Number of patients**	**Percentage of total patients**
Shelby	4,245	62%
Tipton	355	5%
Fayette	260	3.8%
Other states	1,591	23%

Source: 2016 Joint Annual Report for ASTC

CCSC, LLC, is a privately owned practice Ambulatory Treatment Center specializing in Orthopedic and pain management cases. CCSC, LLC received CON approval in November of 2012 with CN1208-040 to expand their existing ASTC facility to more than double in size, and increasing from 4 to 8 operating rooms and from 1 to 2 procedure rooms.

However, CCSC, LLC recognized that in order to satisfy its long term physician recruitment, significantly more office space would be needed, as well as, increased surgical capacity. CCSC, LLC, asked and was granted a project extension from the HSDA board, during which time a new application could be filed.

This new application requests approval to construct a new medical office building containing the ASTC and physician offices on property already owned by CCSC, LLC. adjacent to the existing ASTC building. This project does not increase rooms or services from that of the previous approved CON project.

CCSC, LL. Is solely owned by The Campbell Clinic, P.C., comprised of 47 physicians. The surgical center is a private practice utilized by the physicians of The Campbell Clinic, and restricted to the treatment of their patients.

"Full Capacity" shall mean:
For a dedicated outpatient Operating Room: 1,263 Cases per year1
For a dedicated outpatient Procedure Room: 2,667 Cases per year

TENNCARE/MEDICARE ACCESS:
The applicant currently participates in Medicaid/TennCare # 1551834, and Medicare # 3288698.

Payor Mix Year One

Payor Source	Projected Gross Operating Revenue	% of Total
Medicare/Medicare Managed Care	$17,548,406	17.2%
TennCare/Medicaid	$11,229,644	11.0%
Commercial/Other Managed Care	$68,274,107	67%
Self-Pay	$180,582	.18%
Other	$4,671,545	4.6%
Charity Care	0	0
Total	$101,904,284	100%

The applicant has a favorable proportion of Medicare and TennCare payor mix but projects no charity care for year one of the project.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:
The Department of Health, Division of Policy, Planning, and Assessment have reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and if the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

Project Costs Chart: The Project Costs chart is located on page 40R of Supplemental A1 of the application detailing a total cost of $21,485,200, with $14,515,200 for the facility lease.

Historical Data Chart: The Historical Data chart is located on page 44R of Supplemental A1. The applicant reported 7,048, 6,867, and 6,809 cases in 2014, 2015, and 2016 with net operating revenues of $2,015,602, $2,537,467, and $2,951,953 respectively.

The applicant reported 7,353, 7,252, and 6,788 cases for 2014, 2015, and 2016 on the Joint Annual Reports for Ambulatory Surgical Treatment Centers respectively.

Projected Data Chart: The Projected Data Chart is located on page 47R of Supplemental A1. The applicant projects 10,124 and 10,651 cases in year one and two with net operating revenues of $5,206,961 and $5,358,729, respectively.

Proposed Charge Schedule

	Previous Year	Current Year	Year One	Year Two	% Change
Gross Charge	$8,101	$8,312	$10,048	$10,525	4.75%
Average Deduction	$6,245	$6,317	$7,536	4,75%	
Average Net Charge	$1,856	$1,995	$2,512	$2,631	4.74%

Proposed gross charges are higher than most current multi-specialty ASTCs charges in the service area.

A staffing chart is located in Supplemental A1 of the application. Staffing for the project will require 32 new full time equivalent employees with 29 of these being clinical personnel.

Proposed Staffing

Title	Proposed FTE
RN OR	29
CRNA	
Receptionist	3
Contractual Staff	
Total	32

The Campbell Clinic will develop a new 120,000 square foot medical office building. CCSC, LLC, will lease 32,000sq. ft on the first floor where the ASTC will be located. The cost per square footage is $435, or 32,000 square feet at a construction cost of $13,940,000.
Funding for the project will be financed by a loan from First Tennessee Bank.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

QUALITY MEASURES:

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan.*

AMBULATORY SURGICAL TREATMENT CENTERS

Assumptions in Determination of Need The need for an ambulatory surgical treatment center shall be based upon the following assumptions:

1. Operating Rooms

a. An operating room is available 250 days per year, 8 hours per day.

b. The estimated average time per Case in an Operating Room is 65 minutes.

c. The average time for clean up and preparation between Operating Room Cases is 30 minutes.
d. The optimum utilization of a dedicated, outpatient, general-purpose Operating Room is 70% of full capacity. 70% x 250 days/year x 8 hours/day divided by 95 minutes = 884 Cases per year.

2. Procedure Rooms
   a.

1. **Need.** The minimum numbers of 884 Cases per Operating Room and 1,867 Cases per Procedure Room are to be considered as baseline numbers for purposes of determining Need. An applicant should demonstrate the ability to perform a minimum of 884 Cases per Operating Room and/or 1,867 Cases per Procedure Room per year, except that an applicant may provide information on its projected case types and its assumptions of estimated average time and clean up and preparation time per Case if this information differs significantly from the above-stated assumptions. It is recognized that an ASTC may provide a variety of services/Cases and that as a result the estimated average time and clean up and preparation time for such services/Cases may not meet the minimum numbers set forth herein. It is also recognized that an applicant applying for an ASTC Operating Room(s) may apply for a Procedure Room, although the anticipated utilization of that Procedure Room may not meet the base guidelines contained here. Specific reasoning and explanation for the inclusion in a CON application of such a Procedure Room must be provided. An applicant that desires to limit its Cases to specific type or types should apply for a Specialty ASTC.

2. **Need and Economic Efficiencies.** An applicant must estimate the projected surgical hours to be utilized per year for two years based on the types of surgeries to be performed, including the preparation time between surgeries. Detailed support for estimates must be provided.

3. **Need; Economic Efficiencies; Access**. To determine current utilization and need, an applicant should take into account both the availability and utilization of either: all existing outpatient Operating Rooms and Procedure Rooms in a Service Area, including physician office based surgery rooms (when those data are officially reported and available) OR, all existing comparable outpatient Operating Rooms and Procedure Rooms based on the type

of Cases to be performed. Additionally, applications should provide similar information on the availability of nearby out-of-state existing outpatient Operating Rooms and Procedure Rooms, if that data are available, and provide the source of that data. Unstaffed dedicated outpatient Operating Rooms and unstaffed dedicated outpatient Procedure Rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

4. Need and Economic Efficiencies.

An applicant must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON application to establish an ASTC or to expand existing services of an ASTC should not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed, if those services are known and relevant, within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above.

		Availability/Number of Rooms			Utilization of Services							Utilization of Services				
						Orthopedics			Pain Management			Total				
Facility Name	**County**	**Operating Rooms**	**Procedure Rooms**	**Total**	**Single or Multi-specialty**	**Yes/No**	**Operating Room Cases**	**Procedure Room Cases**	**Yes/No**	**Operating Room Cases**	**Procedure Room Cases**	**Operating room cases**	**Procedure room cases**	**Total cases**	**Operating rooms cases % capacity**	**Procedure rooms cases % capacity**
Midsouth Interventional Pain Institute	Shelby	0	2	2	Single Specialty	No	0	0	Yes	0	3360	0	3360	3360		62.99%
Surgery Center at Saint Francis	Shelby	4	2	6	Multi Specialty	Yes	2259	0	Yes	0	1906	3611	3126	6737	71.48%	58.61%
Semmes-Murphey Clinic	Shelby	3	2	5	Multi Specialty	No	0	0	Yes	0	5129	1536	5129	6665	40.54%	96.16%
Campbell Clinic Surgery Center	Shelby	4	1	5	Multi Specialty	Yes	3322	0	Yes	0	3466	3322	3466	6788	65.76%	129.96%
Baptist Germantown Surgery Center	Shelby	5	0	5	Multi Specialty	Yes	981	0	Yes	829	0	3861	0	3861	61.14%	
North Surgery Center	Shelby	4	1	5	Multi Specialty	Yes	776	0	Yes	0	1174	2369	1174	3543	46.89%	44.02%
Methodist Surgery Center Germantown	Shelby	4	1	5	Multi Specialty	Yes	1152	0	Yes	0	1248	3987	1248	5235	78.92%	46.79%
Campbell Clinic Surgery Center Midtown	Shelby	4	0	4	Multi Specialty	Yes	1725	0	Yes	1028	0	2753	0	2753	54.49%	
Mays and Snapp Pain Clinic and Rehabilitation Ce	Shelby	2	0	2	Single Specialty	No	0	0	Yes	4395	0	4395	0	4395	173.99%	
East Memphis Surgery Center	Shelby	6	3	9	Multi Specialty	Yes	327	0	Yes	0	614	4246	1155	5401	56.03%	14.44%
Le Bonheur East Surgery Center, II	Shelby	4	0	4	Multi Specialty	Yes	21	0	No	0	0	2462	0	2462	48.73%	
Memphis Surgery Center	Shelby	4	1	5	Multi Specialty	Yes	296	0	No	0	0	1686	0	1686	33.37%	0.00%
Totals		**44**	**13**	**57**			**10859**	**0**		**6252**	**16897**	**34228**	**18658**	**52886**	**66.49%**	**56.62%**

Source: Joint Annual Report of Ambulatory Surgical Treatment Centers 2016 Final, Tennessee Department of Health, Division of Policy, Planning, and Assessment-Office of Health Statistics

"Full Capacity" shall mean:
For a dedicated outpatient Operating Room: 1,263 Cases per year1
For a dedicated outpatient Procedure Room: 2,667 Cases per year

There are currently 44 Operating Rooms in the service area operating at 66.5% of Full capacity (1,263 cases/year), and 13 Procedure Rooms operating at 56.6% of Full capacity (2,667 cases/year).

"Optimum Utilization" shall mean:
For a dedicated outpatient Operating Room, 70% of Full Capacity (884 cases/year)
For a dedicated outpatient Procedure Room: 70% of Full Capacity (1,867cases/year)

These 44 Operating Rooms are operating at 88% (778 cases/year) of the minimum 70% (884 cases/year) per the ASTC standard *baseline for cases per year.*
The 13 Procedure Rooms are operating at 76.8% (1,435 cases/year) of the minimum baseline (1,867 cases/year) per the *ASTC standard baseline for cases per year.*

Some of the multi-specialty clinics perform cases in more specialties than just pain management and orthopedics. CCSC, LLC. performs exclusively pain management and orthopedic cases.

5. Need

An application for a Specialty ASTC should present its projections for the total number of cases based on its own calculations for the projected length of time per type of case, and shall provide any local, regional, or national data in support of its methodology. An applicant for a Specialty ASTC should provide its own definitions of the surgeries and/or procedures that will be performed and whether the Surgical Cases will be performed in an Operating Room or a Procedure Room. An applicant for a Specialty ASTC must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON proposal to establish a Specialty ASTC or to expand existing services of a Specialty ASTC shall not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above. An applicant that is granted a CON for a Specialty ASTC shall have the specialty or limitation placed on the CON.

Other Standards and Criteria

6. Access to ASTCs.

City	*County*	*Miles*	*Minutes*

7. Access to ASTCs.

An applicant should provide information regarding the relationship of an existing or proposed ASTC site to public transportation routes if that information is available.

8. Access to ASTCs.

An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project the origin of potential patients by percentage and county of residence and, if such data are readily available, by zip code, and must note where they are currently being served. Demographics of the Service Area should be included, including the anticipated provision of services to out-of-state patients, as well as the identity of other service providers both in and out of state and the source of out-of-state data. Applicants shall document all other provider alternatives available in the Service Area. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

9. Access and Economic Efficiencies.

An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following completion of the project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

10. Patient Safety and Quality of Care; Health Care Workforce.

a. An applicant should be or agree to become accredited by any accrediting organization approved by the Centers for Medicare and Medicaid Services, such as the Joint Commission, the Accreditation Association of Ambulatory Health Care, the American Association for Accreditation of Ambulatory Surgical Facilities, or other nationally recognized accrediting organization.

The applicant will seek accreditation by AAAHC.

b. An applicant should estimate the number of physicians by specialty that are expected to utilize the facility and the criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel. An applicant should provide documentation on the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

11. Access to ASTCs.
In light of Rule 0720-11.01, this lists the factors concerning need
on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration.

b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program;
c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

d. Who is proposing to use the ASTC for patients that typically require longer preparation and scanning times? The applicant shall provide in its application information supporting the additional time required per Case and the impact on the need standard.